S. HRG. 110–613

AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2009

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

ON

S. 3289

AN ACT MAKING APPROPRIATIONS FOR AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES PROGRAMS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2009, AND FOR OTHER PURPOSES

Department of Agriculture
Department of Health and Human Services: Food and Drug Administration
Nondepartmental witnesses

Printed for the use of the Committee on Appropriations

Available via the World Wide Web: http://www.gpoaccess.gov/congress/index.html

---

U.S. GOVERNMENT PRINTING OFFICE

41–239 PDF WASHINGTON : 2008

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON APPROPRIATIONS

ROBERT C. BYRD, West Virginia, *Chairman*

DANIEL K. INOUYE, Hawaii
PATRICK J. LEAHY, Vermont
TOM HARKIN, Iowa
BARBARA A. MIKULSKI, Maryland
HERB KOHL, Wisconsin
PATTY MURRAY, Washington
BYRON L. DORGAN, North Dakota
DIANNE FEINSTEIN, California
RICHARD J. DURBIN, Illinois
TIM JOHNSON, South Dakota
MARY L. LANDRIEU, Louisiana
JACK REED, Rhode Island
FRANK R. LAUTENBERG, New Jersey
BEN NELSON, Nebraska

THAD COCHRAN, Mississippi
TED STEVENS, Alaska
ARLEN SPECTER, Pennsylvania
PETE V. DOMENICI, New Mexico
CHRISTOPHER S. BOND, Missouri
MITCH MCCONNELL, Kentucky
RICHARD C. SHELBY, Alabama
JUDD GREGG, New Hampshire
ROBERT F. BENNETT, Utah
LARRY CRAIG, Idaho
KAY BAILEY HUTCHISON, Texas
SAM BROWNBACK, Kansas
WAYNE ALLARD, Colorado
LAMAR ALEXANDER, Tennessee

CHARLES KIEFFER, *Staff Director*
BRUCE EVANS, *Minority Staff Director*

SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION AND RELATED AGENCIES

HERB KOHL, Wisconsin, *Chairman*

TOM HARKIN, Iowa
BYRON L. DORGAN, North Dakota
DIANNE FEINSTEIN, California
RICHARD J. DURBIN, Illinois
TIM JOHNSON, South Dakota
BEN NELSON, Nebraska
JACK REED, Rhode Island
ROBERT C. BYRD, West Virginia
(ex officio)

ROBERT F. BENNETT, Utah,
THAD COCHRAN, Mississippi
ARLEN SPECTER, Pennsylvania
CHRISTOPHER S. BOND, Missouri
MITCH MCCONNELL, Kentucky
LARRY CRAIG, Idaho
SAM BROWNBACK, Kansas

Professional Staff

GALEN FOUNTAIN
JESSICA ARDEN FREDERICK
DIANNE PREECE
FITZHUGH ELDER IV *(Minority)*
STACY MCBRIDE *(Minority)*
GRAHAM HARPER *(Minority)*
BRAD FULLER *(Minority)*

Administrative Support

RENAN SNOWDEN

CONTENTS

TUESDAY, APRIL 8, 2008

TUESDAY, APRIL 15, 2008

AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2009

TUESDAY, APRIL 8, 2008

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

The subcommittee met at 10:06 a.m., in room SD–192, Dirksen Senate Office Building, Hon. Herb Kohl (chairman) presiding.

Present: Senators Kohl, Reed, Bennett, Cochran, Specter, and Craig.

DEPARTMENT OF AGRICULTURE

OFFICE OF THE SECRETARY

STATEMENT OF HON. ED SCHAFER, SECRETARY

ACCOMPANIED BY:
CHUCK CONNER, DEPUTY SECRETARY
DR. JOSEPH GLAUBER, CHIEF ECONOMIST
SCOTT STEELE, BUDGET OFFICER

OPENING STATEMENT OF SENATOR HERB KOHL

Senator KOHL. Hello and welcome to one and all. Today we begin hearings for the fiscal year 2009 budget. We have before us Secretary Schafer and other distinguished guests from the Department of Agriculture. As you know, this is our first budget hearing for the year.

Secretary Schafer, Dr. Glauber, and Mr. Steele, we want to welcome you before our panel. It is good to have you here today. I would also like to note that Dr. Glauber did receive his Ph.D. from the University of Wisconsin, which makes you a very smart man and a very intelligent man.

Before we get started with you, that is.

The President's budget includes fiscal year 2009 discretionary spending levels of $17.3 billion for USDA, which is a decrease of over $400 million from last year. We have to assume that you were told to hold the line on spending, but however, this budget, notwithstanding that, as you know, does not have very many highlights to it.

Although the WIC budget provides an increase of $80 million, we are already hearing that up to an additional $750 million could well be necessary and that number might go even higher.

CSFP is eliminated yet again. Although we are hearing calls from all over to fix the food safety problems, this budget provides no funding for additional inspectors or inspections.

Research is cut by over $250 million. Conservation is cut by over $140 million. Scores of rural development programs vital to America are simply abolished. Food aid requests remain stagnant, although the need is clearly growing, and a looming Farm Service Agency IT disaster is not addressed.

As we move through the appropriations process, I pledge to you that we will maintain a constructive dialogue with USDA. We have many challenges this year, and I hope to work closely with the Department so we can produce a constructive and a responsible bill.

I am going to turn to my very good friend and the ranking member, Senator Bennett, but first I want to thank publicly Senator Bennett and his staff for the helpful and bipartisan manner in which we have worked over the past few years. And I assume him and all members of the subcommittee that that very constructive working relationship will continue.

So, Senator Bennett will now make an opening statement, and then we will turn to other members, if they arrive, for their opening statements. Following that, we will be pleased to hear from Secretary Schafer.

Members will have 1 week to submit questions for the record, and we will act quickly on their questions.

Now, Senator Bennett.

STATEMENT OF SENATOR ROBERT F. BENNETT

Senator BENNETT. Thank you very much, Mr. Chairman, not only for your leadership, but for your kind words. We have worked together in a bipartisan fashion and I hope for the benefit of agriculture in the country.

I want to welcome Secretary Schafer back to the subcommittee and those joining him, Deputy Secretary Conner and Chief Economist Glauber, and Budget Director Steele.

Dr. Glauber, congratulations on your appointment. I enjoyed the analysis provided by your predecessor, Dr. Keith Collins, who retired earlier this year, and look forward to hearing from you and working with you.

The atmosphere in which we find ourselves with respect to this budget hearing is that food prices are rising sharply throughout the whole world and causing unrest in certain places, not excluding our own country. Decades of nearly stagnant farm gate prices have led us to anticipate stable prices in the marketplace, but farmers are now enjoying record high commodity prices at the same time as costs for feed, fuel, and fertilizer are also reaching record highs.

Biofuel production continues to grow. This year roughly a third of the U.S. corn crop will be used for biofuel production. And that, too, helps increase the price for farmers.

But the other side of it, which may have serious problems for the rest of us, is that the cost of WIC, food stamps, and other feeding programs keeps going up. I am not sure these are issues that are easily resolved, and I hope we can talk a little bit about them this morning.

Now, we have had food recalls and people have been concerned about the safety of their food supply. I appreciate your quick response to the humane slaughter violations in the Hallmark/Westland case, Mr. Secretary, but as a subcommittee, we will continue to fully and properly fund and monitor the activities in the area of food safety. We want to make sure the Department has all of the resources that it needs, but we recognize that everybody else, producers, processors, suppliers, importers, retailers, and so on, must work together in conjunction with the regulators to make sure that the consumers have no reason to question the safety of our food supply.

Mr. Secretary, you are defending a budget you did not prepare by virtue of the timing of your entry into your present position, but you are accompanied by Deputy Secretary Conner who did help prepare this. So I am confident that between the two of you, you will be able to give us a full explanation of where we are and how we got there. And I look forward to hearing your thoughts.

Thank you, Mr. Chairman.

PREPARED STATEMENT

Senator KOHL. Thank you very much, Senator Bennett. And now we will hear from you, Mr. Secretary.

The subcommittee has received a statement from Senator Johnson which will be placed in the record.

[The statement follows:]

PREPARED STATEMENT OF SENATOR TIM JOHNSON

Thank you, Chairman Kohl and Ranking Member Bennett, for holding today's Agriculture, Rural Development, Food and Drug Administration, and Related Agencies subcommittee hearing to discuss the state of fiscal year 2009 appropriations for agriculture. Your leadership is invaluable and appreciated during this process. Thank you also, Secretary Schafer, Deputy Secretary Conner, Chief Economist Dr. Glauber, and Budget Officer Steele, for your time this morning. We appreciate your coming to the Hill to discuss appropriations for this next fiscal year for the United States Department of Agriculture.

As members of the Senate Appropriations Committee, we have an obligation to ensure that our Federal programs function as both intended and promised in enacted legislation. Programs addressed by this subcommittee specifically should strive to ensure that our Nation's rural and agriculture communities remain intact, and that we provide opportunity in those regions that are struggling. I'm sure that many subcommittee members' home States are impacted by rural out-migration as significantly as mine is, and population loss is often irreversible. The Department of Rural Sociology at South Dakota State University released an analysis in 2006 that addressed population changes. The study's findings included an 8.0 percent gain in Southeastern Minnehaha County from 2000–2005, which includes Sioux Falls, the largest city in South Dakota. Minnehaha County's gain presents a stark contrast to rural Harding County, located in the Northwest corner of South Dakota, which experienced a 10 percent drop in population over that same time. Rural communities are impacted dramatically by the shortfalls or inadequacies of each fiscal year's budget proposals, and as a member of this subcommittee I will continue to fight to keep our rural communities vibrant.

There are many areas in the President's proposed budget for fiscal year 2009 that are enormously concerning, and I do not believe that the administration's proposed budget can accomplish the intended goal of our Federal programs. I will work with my colleagues to make these areas whole, and I would like to touch on just a few of those programs today.

The 2002 farm bill included an 80 percent increase in Federal dollars for conservation programs over previous measures. However, this administration's most recent suggestion for conservation funding includes a 20 percent reduction. In the wake of the Department of Agriculture's handling of the Conservation Reserve Program with expiring 2007–2010 contracts, which has discouraged participation in the

program, this additional proposal is counterproductive for conservation efforts in South Dakota and nationally.

The President's budget proposal includes eliminating the Resource, Conservation and Development (RC&D) program entirely. The President has clearly not been a fan of this program, proposing substantial reductions consistently for several years. The RC&D program encourages economic growth in rural areas that aren't privy to the economic stimulus of urban areas. For every $1 invested into this program by the Federal Government, the program generates an impressive $7.50 in return. I have worked to restore this program in the past, and I will continue to support full funding for this program.

For the third year in a row, this administration has attempted to slash funding for the Commodity Supplemental Food Program (CSFP). Elimination of this program would cause nearly half a million low-income seniors and children to be cut off from nutritious commodities. In my home State, nearly 300,000 senior citizens rely on the nutritious meal boxes CSFP provides each month. The Bush administration proposes simply transferring CSFP recipients to the food stamp program. However, food stamp benefits alone are not sufficient to meet the dietary needs of most CSFP participants. I will again fight to reinstate funding for CSFP and ensure that this important program receives meaningful dollars to support their growing needs.

I have heard from many South Dakotans who share in my concern for the President's proposed budget, and I appreciate the opportunity to share some of these concerns. I will continue to work for the strongest possible agriculture budget we can achieve in Congress, which is simply what America's farmers and ranchers deserve.

STATEMENT OF SECRETARY ED SCHAFER

Secretary SCHAFER. Thank you, Mr. Chairman and ranking member. I am pleased to appear before the committee, and thank you for the opportunity to discuss our fiscal year 2009 budget for the Department of Agriculture.

As was mentioned, I am joined at the table here by my esteemed colleagues who can provide the expertise and background to your questions.

I am grateful that the President has provided me this opportunity to serve the people of the United States, and I will do my very best to promote, preserve, and enhance the mission of the United States Department of Agriculture.

Before I discuss the 2009 budget, I would like to thank the committee for the opportunity to appear before you in late February to testify on the inhumane handling of cattle at the Hallmark/Westland Meat Packing Company. At that hearing, I described actions that we took immediately. Also, soon after learning of the situation, we asked the Office of Inspector General to immediately begin an investigation into the matter.

Since that hearing, we have taken additional actions, including auditing 18 beef processing facilities that supply products to the Department's nutrition assistance programs, including the school lunch program. In addition, FSIS has directed inspectors to increase the amount of time spent on humane handling surveillance.

I have been concerned that some Members of Congress and some of the media have mischaracterized this recall as a food safety issue. I again want to assure our citizens that this class II recall does not pose an imminent threat to our food supply.

As we learn more from the ongoing investigations, we look forward to keeping the committee well informed.

Now I would like to discuss the USDA and our 2009 budget. As I mentioned earlier, I am very pleased to have been given the opportunity to lead this great Department at a time in history when the agriculture economy has never been stronger. Market prices

are at or near record levels for virtually all of our major crops and net cash income for 2007 will exceed $87 billion, which is up almost $20 billion from last year.

I look forward to working with you, Mr. Chairman, as well as your other members, during the 2009 budget process to ensure that we have the resources needed to continue making a positive impact on the economic well-being, safety, and health of all Americans.

Let me start by saying we are proud that USDA's 2009 budget advances the President's goal of achieving a balanced Federal budget by 2012, also while encouraging our economic growth and enhancing our security.

As was noted, I am new to the Federal budget process, but I have faced many challenges in developing budgets at a State level. As a Governor for 8 years, I was required to make tough decisions to balance our State budget as required by law. Today at the Federal level, we face similar challenges to keep spending under control and meet the President's deficit reduction goals.

The USDA's total budget authority request pending before this committee proposes an increase from $88 billion in 2008 to $93 billion in 2009, while the discretionary appropriation request is $17.4 billion. That is a decrease of approximately $400 million from the 2008 enacted level.

The budget before you proposes to terminate $1 billion in lower-priority activities, earmarks, and programs that duplicate other activities. I would like to point out that even within this tight overall budget framework, we request that additional funds be allocated to food safety, nutrition, and high-priority bioenergy research.

The budget requests nearly $1 billion in appropriated funds for the Food Safety and Inspection Service, a record level of funding. This funding will ensure that the demand for inspection is met, and we will build on our success in improving the safety of our food supply. We will continue to pursue the development and implementation of inspection systems that are better grounded in science and that can increase the speed in which we detect and respond to outbreaks of food-borne illnesses.

The budget supports increased participation and food costs for the Department's three major nutrition assistance programs: food stamps, WIC, and child nutrition. I would like to mention, Mr. Chairman, that we are monitoring the WIC situation very carefully, both food costs and participation levels, and I know that you have been as well. We will keep the committee informed of the trends and work with you to ensure that this important program is appropriately funded.

The budget includes additional funding for bioenergy research aimed at increasing the efficiency of converting cellulose to biofuels. Under the National Research Initiative, USDA will support efforts to develop and enhance feedstock sources and biocatalysts for cellulosic conversion.

The Agricultural Research Service will focus on developing sustainable, efficient production of energy from a variety of agriculture products and from enabling on-farm processing for cellulosic feedstocks.

The budget also provides support to ensure that critical program delivery systems are maintained so the infrastructure is in place

that we can build upon to meet the demands of implementing a new farm bill and addressing other needs in rural America.

The budget proposes the funding needed to increase the enrollment of our conservation programs to record levels of acres. These programs are essential to protecting and preserving our land, our water, and our air resources for future generations.

The budget provides $15 billion for rural development. This level of support maintains USDA's role in financing rural home ownership, rural utilities, and business and industry. It also includes $1 billion to protect the rents of low-income rural residents.

Within this program level, we are proposing to shift the emphasis from grants to loans and from direct loans to loan guarantees. These shifts permit us to continue to address the priorities but at a lower cost to the taxpayer.

All Americans and particularly our farmers and ranchers know the importance of a healthy economy. It creates jobs and it boosts incomes. Keeping America's agriculture strong means we must continue to build on our recent successes in trade. We are forecasting record agriculture exports of $101 billion in 2008, an increase of over $19 billion from 2007. And as you know, agriculture is the sector of the economy that provides a positive trade balance.

USDA has worked aggressively to open new markets for America's farmers and ranchers, and those efforts are showing results. Progress was made in our efforts when the President signed the trade promotion agreement with Peru last December.

Congress can continue to help create jobs and economic opportunity by passing the Free Trade Agreements with Colombia, Panama, and South Korea. As you know, the President yesterday sent up the signed Colombia FTA for ratification, and we urge Members of Congress to vote for American agriculture and pass this legislation.

We also need to secure a new farm bill. More than a year ago, the administration announced a comprehensive set of farm bill proposals for strengthening the farm economy in rural America. These proposals represent a reform-minded, fiscally responsible approach to supporting America's farmers and ranchers and our rural communities.

Because of that, we are still working with Congress to shape the farm bill, but as of today, we do not have new legislation in place. The President's 2009 budget for USDA is based on the provisions of the 2002 farm bill and reflects the administration's proposals for change. We expect, however, some changes will be made to the budget estimates when the new farm bill is finally passed. I am still confident that that will happen.

PREPARED STATEMENTS

In closing, I would like to emphasize that this budget provides the critical resources we need to keep our agriculture economy strong, and it is in keeping with the President's policy of funding the highest priorities while restraining spending.

I look forward to working with the members of the staff and the committee. We will now be pleased to take your questions.

[The statements follow:]

PREPARED STATEMENT OF ED SCHAFER

Mr. Chairman and distinguished members of this committee, I am pleased to appear before you to discuss the fiscal year 2009 budget for the Department of Agriculture (USDA).

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

Before I begin to discuss the fiscal year 2009 budget, I would like to provide you an update to my February 28 appearance before this committee to testify about the inhumane treatment of cattle at the Hallmark/Westland Meat Packing Company in California. As you know, on January 30 when the Humane Society of the United States released the video from this facility, I asked the USDA Office of Inspector General to immediately begin an investigation into the matter. Since that time, USDA's Food Safety and Inspection Service (FSIS) has implemented a series of interim actions to verify and thoroughly analyze humane handling activities in federally inspected establishments. FSIS has also audited all 18 beef slaughter plants that supply beef to the Federal nutrition assistance programs. I have been concerned that some Members of Congress and some of media have mistakenly characterized this recall as a food safety issue. I again want to assure our citizens that this class II recall does not pose any eminent threat to our food supply. Therefore, once this review has concluded, we will have additional information that, along with the results of the additional verification activities and audits, will determine the actions for FSIS oversight, inspection and enforcement that may be required. We will continue to keep the committee informed of all developments and will report back to the committee on our actions.

As I previously mentioned, it is a pleasure to come back before this committee today, this time to discuss the President's 2009 budget request for the Department of Agriculture. I come from an agriculture State and understand the important role the Department plays in the lives of many Americans. I look forward to working with you, Mr. Chairman, as well as the other members, during the 2009 budget process to ensure that we have strong programs that serve not only U.S. agriculture, but a broad spectrum of rural residents and consumers. By continuing the effective cooperation between this committee and the Department, we can build a stronger America.

After reviewing the record, I am proud to report that the Department has made significant progress in achieving its goals to improve the rural economy, strengthen U.S. agriculture, protect America's natural resources, and improve nutrition and health. Specifically, I would like to note:

—Under President Bush's economic policy, rural America and U.S. agriculture has prospered.

—Renewable energy production continues to grow and is contributing to the energy security of the United States as well as improving the farm economy.

—U.S. agricultural exports were at a record level of $82 billion in 2007, the fourth record year in a row, and are now projected to set another record of $101 billion during 2008. This would be an unprecedented increase of $32 billion in just the last two years.

—USDA continues to pursue the President's trade agenda that will create new market opportunities overseas and ensure the United States remains a leader in a rules-based global trading system. In this regard, we are continuing our efforts to achieve a successful conclusion to the Doha Round of multilateral trade negotiations—one that will provide fundamental reform of agricultural trading practices and spur economic growth and development.

—In the future, as in the past, our long-term economic growth will be enhanced by supporting international trade, by opening world markets to U.S. goods and services and by keeping our markets open. Progress was made in our efforts to remove trade barriers and ensure a level playing field for U.S. farmers and ranchers when the President signed the Trade Promotion Agreement with Peru last December. Congress can continue to help increase jobs and economic opportunity by passing the pending Free Trade Agreements with Colombia, Panama and South Korea.

—The Department continued its efforts to regain our beef export markets. We have reopened or maintained the markets in over 40 countries that closed or threatened to close their borders to U.S. beef products after the first detection of BSE. Recently, Peru, Colombia, Panama, the Philippines, Indonesia, and Barbados have removed their remaining restrictions for beef and beef products in accordance with international guidelines.

—In December 2007, the Department made the first major revision of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) food

package in nearly 30 years. The changes take into account an improved understanding of nutritional requirements as well as the changing profile of supplemental nutrition needs of WIC's diverse population.

—Actions were taken to improve the safety of meat, poultry, and egg products, by identifying contamination earlier and reducing the exposure to foodborne pathogens.

—The 2006 supplemental funding provided the resources for USDA to work with domestic partnerships to prepare for a potential influenza pandemic. Through these efforts, we have played a leadership role in the worldwide effort to stop the spread of the H5N1 virus overseas and have increased our preparedness to deal with an outbreak should one occur.

In 2007, the administration announced a comprehensive set of farm bill proposals for strengthening the farm economy and rural America. We are continuing to work with the Congress to formulate a new farm bill. The enactment of the new farm bill may affect some of the 2009 budget estimates depending on specific provisions.

2009 Budget

Although I did not participate in the development of the 2009 budget, Deputy Secretary Conner conducted an in-depth review of USDA's budget and program performance in order to develop a budget that meets the administration's 2009 budget targets and contributes to the President's policy of reducing the deficit and balancing the Federal budget by 2012. Tough choices had to be made to keep spending under control and achieve the President's deficit reduction goals. Therefore, this budget funds the Department's highest priorities, while reducing or terminating duplicative or lower priority programs, including earmarks. I believe this is a responsible budget that funds critical programs and priorities and focuses efforts on programs that work and achieve results. Key priorities in the budget include:

—Reducing trade barriers and expanding overseas markets;

—Increasing funding for bioenergy research in support of the President's goal for achieving energy independence;

—Supporting policies that enhance job creation, improve rural infrastructure, and increase homeownership opportunities;

—Ensuring Americans continue to enjoy a safe and wholesome food supply;

—Protecting agriculture from diseases and pests;

—Increasing funding for our major nutrition assistance programs;

—Providing for a record number of acres in conservation programs; and

—Carrying out high priority basic and applied sciences that provide the technology and information necessary for the development of innovative solutions facing American agriculture.

The USDA's total budget authority request pending before this committee proposes an increase from $88 billion in 2008 to $93 billion in 2009, while the discretionary appropriation request is $17.4 billion, a decrease of approximately $400 million below the 2008 enacted level. The discretionary appropriation request is based on the 2008 enacted level.

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

Food and Agriculture Defense Initiative

USDA continues its vigilance in ensuring the safety of our food and agriculture system. The Department is a strong partner in the administration's efforts to prepare for any potential bioterrorist attack. We are working to ensure an appropriate government response to a wide array of threats.

To protect American agriculture and the food supply from intentional terrorist threats and unintentional pest and disease introductions, the budget proposes $277 million for USDA's part of the President's Food and Agriculture Defense Initiative. Funding for on-going programs is $264 million, an increase of $81 million from the 2008 level. Of the total amount for on-going programs, an increase of about $14 million for Food Defense would enhance research to safeguard the Nation's food supply from foodborne pathogens and pathogens of biosecurity concern. For Agriculture Defense, the budget includes an increase of about $20 million for research to improve animal vaccines and diagnostic tests. An additional $47 million would be used to improve USDA's ability to safeguard the agricultural sector through enhanced monitoring and surveillance of pest and disease threats, improve animal identification, strengthen response capabilities, and other efforts, such as an expansion of the National Veterinary Stockpile.

In order to keep USDA in the forefront of avian disease research, the budget requests $13 million to proceed with the design and planning of the Biocontainment Laboratory and Consolidated Poultry Research Facility in Athens, Georgia. This fa-

cility is critically needed to conduct research on exotic and emerging avian diseases that could have devastating effects on animal and human health.

Food Safety

One of the Department's top priorities is to ensure the safety of our food supply. The 2009 budget requests record funding of nearly $952 million, an increase of about $22 million over 2008, for FSIS to protect the Nation's supply of meat, poultry and egg products. About 80 percent of the FSIS funding goes for staff pay for Federal and State inspection programs to meet the demand for inspection services. With this funding, in addition to providing necessary food inspection, FSIS will continue to develop the food safety infrastructure to ensure that inspections systems are better grounded in science and inspector observations and data are captured and used in a timely manner. The objective is to reduce the risk of foodborne pathogens in meat, poultry and processed eggs and consequent infection.

The budget estimates that $140 million in existing user fees for voluntary inspection will be collected. We will submit authorizing legislation to Congress to expand these collections, adding another $96 million in new user fees. These fees will be used to offset needs in 2010, so they have no direct effect on 2009. The proposed legislation will authorize a licensing fee projected to collect $92 million from meat, poultry, and egg products establishments based on their volume. An additional $4 million would be collected from establishments that require additional inspection activities for performance failures such as retesting, recalls, or inspection activities linked to an outbreak.

Farm Program Administration and Agriculture Credit Programs

The budget requests $1.5 billion for the Farm Service Agency to deliver farm programs. This level of funding will support approximately the same number of staff years as in 2008. The budget includes funding to support on-going operational needs based on current programs and the current delivery system.

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. The 2009 budget supports about $3.4 billion in direct and guaranteed farm loans. The 2009 budget proposes loan levels that generally reflect actual usage in recent years.

Crop Insurance

Crop insurance is designed to be the primary Federal risk management tool for farmers and ranchers. In 2009, crop insurance is expected to provide coverage for nearly $72 billion in risk protection, more than double the amount of coverage provided as recently as 2000. This growth has been accomplished, in part, through the development of new and innovative plans of insurance. These innovations have expanded coverage to new crops or improved the coverage available under existing policies.

Over the years, Congress has challenged USDA to expand the availability of crop insurance to under-served commodities, in particular, to livestock and pasture, rangeland, and forage. Our Department is meeting that challenge. Currently, the crop insurance program offers revenue protection for swine, fed cattle, feeder cattle and lamb. In 2007, the crop insurance program began offering two innovative pilot programs covering pasture, rangeland, and forage. The programs proved to be highly popular with farmers and ranchers and, in 2008, the pilot area is being expanded to provide additional information on program performance.

For 2009, the budget re-proposes legislation to initiate a small participation fee in the Federal crop insurance program to fund modernization and maintenance of a new information technology (IT) system. Modernization of the IT system would improve program efficiency and provide the capacity needed to keep pace with the ever expanding workload for developing new crop insurance products. The fee would generate about $15 million annually, which would initially supplement the annual appropriation to modernize the IT system. However, in future years, the fee would replace appropriated funding for IT maintenance. Based on current program indicators, we estimate that the fee would amount to about one-quarter cent per dollar of premium sold. In addition, the budget proposes to expand on language included in the 2008 Appropriations Act by including IT modernization as an authorized purpose for mandatory funding already provided under the Federal Crop Insurance Act. Either approach could be implemented without increasing the Federal budget deficit.

International Programs

Expanding access to overseas markets and securing a level playing field are critical for the continued prosperity of America's farmers and ranchers. Future growth

in demand for our agricultural products is primarily going to occur overseas, particularly in developing countries which are experiencing rapid economic growth and rising incomes. We must, therefore, ensure that our producers and exporters have the tools they need to be competitive in a rapidly expanding global marketplace.

Our 2009 budget proposals support our continued commitment to opening new markets and expanding trade. Increased funding is provided for the Foreign Agricultural Service (FAS) to maintain its overseas office presence and continue its representation and advocacy activities on behalf of American agriculture.

For the foreign food assistance programs, the budget continues to place the highest priority on meeting emergency and economic development needs of developing countries. The 2009 request for appropriated funding for the McGovern-Dole International Food for Education and Child Nutrition Program is $100 million. This level will allow USDA to extend school feeding and educational benefits to about 2 million women and children during 2009. The program is helping children in countries with severe educational and nutritional needs. In recent years, more than 15 million children throughout the world have received benefits from the McGovern-Dole program and its predecessor, the Global Food for Education Initiative.

The budget requests appropriated funding of $1.2 billion for the Public Law 480 Title II program, which provides emergency relief needs and addresses the underlying causes of food insecurity through non-emergency programs. In addition, to help improve the timeliness, efficiency, and effectiveness of the U.S. Government's response to food needs overseas, increased flexibility is requested in the purchasing of Title II commodities. As the President said in his State of the Union message, this flexibility is important to help break the cycle of famine. In countries like Bangladesh, this authority would have allowed us to provide more assistance, quicker, to those affected by the cyclone several months ago.

The budget requests funding of $12.5 million in the Office of the Secretary to support the Department's efforts to assist in agricultural reconstruction activities in Afghanistan and Iraq. USDA is providing technical advisors assigned to the Ministry of Agriculture in Iraq, who are assisting in agricultural economics and planning, soil and water policy, extension, and food safety and animal inspection. This collaboration supported the development of the first national strategic plan for agriculture under the new government. Other USDA agricultural advisors are serving on the Provincial Reconstruction Teams (PRTs) working in the rural provinces of Afghanistan and Iraq on activities such as soil and water conservation, irrigation and water management, grain and seed storage, post-harvest loss reduction, marketing system improvements, and livestock health, nutrition, and breeding. These advisors are providing much needed assistance in addressing a wide range of problems brought on by years in some cases decades, of neglect and mismanagement in the agricultural sectors of these two countries. Additional funding will be needed for USDA to continue to be a key player in these areas.

Conservation

USDA fosters environmental stewardship through conservation programs supported with appropriated and mandatory CCC funding. Since 2001, USDA has provided assistance to farmers and ranchers resulting in conservation on more than 130 million acres of land.

The 2009 budget reflects a strong commitment to conservation and includes nearly $4.6 billion in mandatory funding. Of this amount, $775 million is needed to support the Administration's Farm Bill proposals. This funding will be allocated among the various conservation programs described below when new program levels are established by the Farm Bill.

Within the total amount of mandatory funds, the budget proposes $181 million for the Wetlands Reserve Program (WRP). The projected WRP enrollment for 2009 is approximately 100,000 acres, and will bring the total acreage enrolled in the program to 2,275,000 acres, the maximum level authorized by the 2002 Farm Bill. The WRP is the principal support program of the President's goal to restore, protect, and enhance 3 million acres of wetlands by 2009. The Administration's Farm Bill proposals for WRP would provide the funding necessary to achieve an annual enrollment goal of 250,000 acres.

The Conservation Reserve Program (CRP) accounts for more than half of the mandatory funds with total funding of just under $2 billion. Enrollment in CRP is expected to decline by about 2 percent to 34.2 million acres in 2009 due to expiring contracts and the conversion of farmable land to crop production. In addition, funding for the Environmental Quality Incentives Program (EQIP) will increase by $50 million to just over $1 billion to protect 17.5 million acres in 2009.

The budget includes $360 million for the Conservation Security Program (CSP). This level of funding is expected to support almost 25,400 contracts signed in prior

years, which cover 20.4 million acres. The Administration's Farm Bill proposals would increase funding for these programs to enroll and treat more acres. In addition, these proposals would reduce the complexity of conservation programs to encourage greater participation.

The 2009 budget includes $801 million in discretionary funding for on-going conservation work. This level of funding supports programs that provide the highest quality technical assistance to farmers and ranchers and address the most serious natural resource concerns. The budget includes savings of $136 million from the elimination of funding for earmarked projects, duplicative programs, and programs that do not represent a core responsibility of the Federal Government. No funding is proposed for the Resource Conservation and Development Program and the Watershed and Flood Prevention Operations Program.

Rural Development

USDA's Rural Development (RD) programs support the quality of life and economic opportunities in rural America by providing financial support for housing, water and waste disposal and other essential community facilities, electric and telecommunication facilities, broadband access, and business and industry. This support includes direct loans and grants and guarantees of loans made by private lenders.

The 2009 budget supports a program level of $14.9 billion for the RD programs. This level is similar to the level requested in the 2008 President's budget, but is about $3.6 billion less than the amount appropriated for 2008. The difference is due primarily to a reduction in electric utility loans and the elimination of direct loans in favor of loan guarantees for single family housing. The budget supports shifting resources to address the highest priority programs.

The 2009 budget includes almost $1 billion for rental and voucher assistance to protect the rents of 230,000 low-income households. This is $518 million more than the amount appropriated for 2008. Of this amount, $100 million is for vouchers that will promote choice by providing the rental subsidy directly to the low-income tenant. Within the last few years, the period to renew expiring rental assistance contracts has been reduced from 5 years to 1 year. This action provided initial budget savings but increased the number of expiring contracts and, hence, the funding needed for renewing these contracts in 2009 and beyond.

With regard to single-family housing, the 2009 budget reflects a shift from direct to guaranteed loans as proposed for 2008. This shift would reduce the cost of providing homeownership opportunities in rural America in a manner than is consistent with the administration of other Federal housing programs and sustainable as a long-term policy. Guaranteed loans have accounted for almost all the growth in USDA's single-family housing program since the mid-1990's and have proven to be effective in reaching low-income as well as moderate income households. The 2009 budget includes $4.8 billion for such guaranteed loans, an increase of $658 million and an amount estimated to provide about 43,000 homeownership opportunities in rural America.

For the water and waste disposal program, the 2009 budget supports $1.3 billion in direct loans, $75 million in guaranteed loans and $220 million in grants, for a total program level of $1.6 billion, which is a slight increase over the program level for 2008. The 2009 budget does not repeat the 2008 budget proposal to change the interest rate structure for direct loans, but it does reflect a sizeable shift from grants to direct loans. This shift achieves substantial budget savings while maintaining a high level of financial assistance that most rural communities can afford to repay at low interest rates.

For the electric program, the 2009 budget supports $4.1 billion in direct loans for distribution, transmission, and power generation improvements. This level is expected to meet the demand for these categories of loans. Funding for baseload generation loans will be determined contingent upon enactment of legislation to authorize a fee to cover all subsidy costs. It is the administration's policy that the Department of Energy be the sole source of financial support for nuclear power generation facilities.

The 2009 budget supports almost $300 million in broadband access loans. We believe this amount will provide sufficient resources to serve creditworthy applicants. It is anticipated that new program regulations for the broadband program will be in place for 2009 to ensure proper administration of the program and that more assistance will be directed to areas without existing providers. The budget also proposes $20 million in distance learning and medical link grants.

Based on recent trends in applications and the potential availability of carryover, the 2009 funding level for Business and Industry guaranteed loans is $700 million. In addition, the budget supports almost $33 million in zero-interest direct loans for intermediary relending.

Research

Research to improve the quality and productivity of America's food production and distribution system has contributed to the strength of American agriculture. By improving the competitiveness of agricultural research, we will continue to post gains in agricultural efficiency and production. The administration strongly believes that merit-based, peer-reviewed grants represent the best mechanism for providing the highest quality research. In support of this approach, the 2009 budget for the Cooperative State Research, Education and Extension Service (CSREES) includes a $19 million increase for the National Research Initiative (NRI), the Nation's premier competitive research program for fundamental and applied sciences in agriculture for bioenergy and biobased fuels, a continuing high priority of the administration. The NRI also supports integrated projects that focus on water quality, food safety, and pest management.

The budget also supports the administration's goal for earmark reform to bring greater transparency and accountability to the budget process. In this regard, the budget proposes to eliminate $144 million in earmarked projects within CSREES. The budget also proposes to modify the Hatch and McIntire-Stennis formula programs. This proposal will expand multi-state research programs and direct a higher proportion of these funds to competitively awarded research projects. This will ultimately foster greater competition and improve the quality of USDA supported research. As proposed in the 2008 budget, the 2009 proposal would sustain the use of Federal funds to leverage non-Federal resources, maintain program continuity, facilitate responsiveness to State and local issues, and leverage and sustain partnerships across institutions and States.

The budget for the Agricultural Research Service (ARS) includes $47 million in increases for high priority research conducted in areas such as emerging and exotic diseases of livestock and crops, bioenergy, plant and animal genomics and genetics, and human nutrition and obesity prevention. Funding increases for these critical research priorities are offset by the discontinuation and redirection of $105 million in lower priority programs as well as the elimination of $41 million in Congressional earmarks.

Finally, the budget includes $39 million to complete the 2007 Census of Agriculture, the most comprehensive source of statistically reliable information regarding our Nation's agriculture. With information collected at the national, State, and county levels, the Census provides invaluable, comprehensive data on the agricultural economy which are relied upon to keep agricultural markets stable and efficient.

Nutrition Assistance

The budget supports increased participation and food costs for the Department's three major nutrition assistance programs—Food Stamps, WIC, and Child Nutrition. For WIC, the budget supports an average monthly participation of 8.6 million in 2009, up from 8.5 million in 2008. Food Stamp monthly participation is estimated at 28 million, about 200,000 above the 2008 level. School Lunch participation is estimated to grow a little over 1 percent to keep pace with the growing student population to a new record level of 32.1 million children per day.

For Food Stamps, legislation will be reproposed to allow participation of certain households currently not eligible due to retirement and education savings accounts, child care expenses, and military combat pay. These re-proposals will also include legislation to close a loophole that some States used to enroll people not intended to be served by the program. For 2009, the budget includes increased funding to assess ways to increase participation among the elderly and the working poor, two populations that historically have been underserved. In addition, funds are also included to study ways to improve the application process as well as for nutrition education so that we can continue to refine the program.

The President's appropriation request is $6.1 billion for WIC and will provide benefits to an average of 8.6 million monthly participants. Language is reproposed to cap the national average grant per participant for State administrative expenses at the 2007 level, which will reduce overall financial requirements by about $145 million in 2009. This reduction will encourage States to seek ways to be more efficient without affecting core services. In addition, the budget is reproposing to limit automatic WIC income eligibility to Medicaid participants with household incomes that fall below 250 percent of the Federal poverty guidelines. The automatic eligibility provisions for Medicaid participants make some people with incomes up to 300 percent of poverty eligible, well above the 185 percent of poverty WIC statutory standard.

The Food and Nutrition Service is working with the States to implement the revised WIC food packages rule promulgated in December. The new rules allow the

States to offer fruits and vegetables, whole grains, and more flexibility to offer foods likely to appeal to a variety of cultural preferences which will improve WIC's ability to achieve its nutritional objectives.

The budget reproposes the elimination of the Commodity Supplemental Food Program (CSFP), since the program is only available in limited areas, and overlaps with two of the largest nationwide Federal nutrition assistance programs—Food Stamps and WIC. USDA intends to pursue a transitional strategy to encourage the 30,000 women, infants and children that are eligible for WIC to apply for that program, and to encourage 434,000 elderly CSFP recipients to apply for the Food Stamp Program. As part of this strategy, the budget provides resources for outreach and temporary transitional food stamp benefits to CSFP participants 60 years of age or older. These benefits would equal $20 per month for the lesser of 6 months or until the recipient starts participating in the Food Stamp Program. Overall the Food Stamp Program budget includes $72 million for the transition in 2009.

The Department has had great success in promoting healthy eating habits and active lifestyles with MyPyramid, the new MyPyramid for Pregnant and Breastfeeding Women and associated web-based, interactive tools. There have been 4.3 billion hits to MyPyramid.gov and 3.2 million registrations to MyPyramid Tracker, the on-line tool that assesses diet quality and physical activity status, since MyPyramid was made available April 2005. The budget includes an increase of $2 million to update and improve these popular tools plus develop the 2010 Dietary Guidelines for Americans. USDA has the lead in developing the Dietary Guidelines—the basis for determining benefit levels in Food Stamps, Child Nutrition Programs, WIC and others, as well as for Federal nutrition policy and nutrition education activities. This supports the HealthierUS Initiative, which is aimed at improving diets and increasing physical activity in order to reduce obesity in America.

Department Management

The 2009 budget continues to support the overall management of the Department. Increased funding is being sought for selected key management priorities including:

—Reviewing agency compliance with civil rights laws in program delivery and affirmative employment goals, while providing effective outreach to ensure equal and timely access to USDA programs and services to all customers.

—Ensuring that ethics oversight and the delivery of ethics services to the agencies is carried out in a consistent manner with clear accountability in the USDA program.

—Providing oversight of program delivery by conducting audits and investigations and limiting fraud, waste, and abuse throughout USDA.

—Funding rental payments to the General Services Administration and security payments to the Department of Homeland Security to provide USDA employees with a safe working environment.

In closing, I want to emphasize that the USDA budget fully supports the President's goals and funds the Department's highest priorities.

That concludes my statement. I look forward to working with members and staff of the committee and we will be glad to answer questions you may have on our budget proposals.

PREPARED STATEMENT OF PHYLLIS K. FONG, INSPECTOR GENERAL, OFFICE OF THE INSPECTOR GENERAL

I want to thank Chairman Kohl and Ranking Member Bennett for the opportunity to submit testimony to the subcommittee about the work of the Office of Inspector General (OIG) and our fiscal year 2009 budget request.

I am pleased to have the chance to provide the subcommittee with an overview of our most significant recent activities and the oversight work we have planned and in-process at this time. In fiscal year 2007, OIG issued 61 audit reports containing 255 recommendations to improve and protect USDA programs and operations. Pursuant to the statistical reporting requirements established by Congress in the Inspector General Act of 1978, we determined that OIG audits resulted in a potential monetary impact of $91 million in fiscal year 2007.[1] OIG criminal investigations re-

[1] 5 U.S.C. App. 3 § 5.

sulted in over 520 indictments and 440 convictions in fiscal year 2007 and achieved an additional potential monetary impact of over $63 million.[2]

This written statement will follow the framework of our four Strategic Goals. We organize our audit and investigative work under these Strategic Goals to effectively target OIG resources toward the key programmatic issues and public concerns facing the Department and our Congressional oversight committees. Our four Strategic Goals are (I) Safety, Security, and Public Health; (II) Integrity of USDA Benefits and Entitlement Programs; (III) Management Improvement Initiatives; and (IV) Stewardship of Natural Resources. The final section of my testimony provides information in support of the President's fiscal year 2009 Budget Request for OIG.

SAFETY, SECURITY, AND PUBLIC HEALTH

OIG Food Safety Reviews

Assessing USDA's Risk Based Inspection Program for Meat and Poultry Processing Establishments

In February 2007, the Food Safety and Inspection Service (FSIS) announced its plan to implement a pilot risk-based inspection (RBI) program for meat and poultry processing establishments. The agency believed it had comprehensive and reliable data and that "real and immediate" improvements could be made to the effectiveness of inspection operations. Congress and other stakeholders became concerned that FSIS was beginning to implement RBI before it had corrected deficiencies reported in prior OIG audits and that issues regarding the agency's methodology for determining risk had not been addressed. Consequently, there was a concern that food safety might be compromised if RBI proceeded at that time.

This subcommittee, working with the House Agriculture Appropriations Subcommittee, included language in the May 2007 emergency appropriations act[3] to prevent FSIS from using funds to implement RBI in any location until OIG studied the program, including the data supporting its development and design. We conducted an assessment of the FSIS processes and methodologies used to design and develop its proposed RBI program, as well as FSIS' infrastructure and management controls that would support a reliable, data-driven RBI program. Our December 2007 report questioned whether FSIS has the systems in place to provide reasonable assurance that risk can be properly assessed, especially since the agency lacks current and comprehensive assessments of food safety systems at meat and poultry processing facilities.

Throughout the course of OIG's review, we discussed our concerns and provided recommendations to FSIS so that the agency could act to immediately address the weaknesses we identified. OIG's concerns related to FSIS' (1) assessments of establishments' food safety systems, (2) security over information technology (IT) resources and application controls, and (3) management control structure, among other issues. OIG reached agreement with FSIS on the agency actions necessary to implement each of the 35 recommendations we presented in our report.

OIG recommended that FSIS complete its plan for improving the use of food safety assessment-related data and determine how the assessment results will be used in determining risk. As the agency moves forward with the development and implementation of an RBI program, FSIS should ensure that its risk analysis and assessments are thoroughly documented and any data limitations are mitigated, and the decisions made in its inspections process are published and transparent to all stakeholders. FSIS also needs to implement appropriate oversight for the development of critical IT systems needed to support RBI. We made numerous additional recommendations to improve FSIS' management controls, data collection and analyses processes, and staff training.

FSIS has responded substantively to OIG's findings and recommendations. During the course of our audit, FSIS began a critical, in-depth examination of the data used as the components of its RBI assessment with a view to refining and expanding the data used in future versions of RBI. As of September 2007, FSIS awarded a contract to build the agency's new Public Health Information System (PHIS) to better integrate its numerous IT systems that are used to manage inspector activities. The primary goal of PHIS is to improve the timeliness of collecting/analyzing inspection data, and thereby enhance the agency's capability to address food safety hazards.

---

[2] Components of the monetary impact figure include fines, recoveries/collections, restitutions, claims established, cost avoidance, questioned costs, and administrative penalties achieved in OIG criminal investigative cases.

[3] Public Law 110–038, enacted May 25, 2007. The U.S. Troops Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007.

Strengthening USDA's E. coli Testing Program

In response to a large recall involving contaminated ground beef product, the then-Acting Secretary requested in October 2007 that OIG determine whether improvements could be made to FSIS' sampling and testing procedures for Escherichia coli O157:H7 (E. coli) and identify relative costs and benefits associated with these improvements. OIG promptly initiated a review of the actions FSIS already had in process to improve its E. coli sampling and testing program. As part of our review, we solicited feedback from a broad array of stakeholders actively involved in this issue, such as representatives from other USDA and Federal entities with similar sampling and testing programs, meat industry representatives, academic institutions that perform E. coli research, and the quick-service restaurant industry.

OIG provided a memorandum report to USDA officials at the end of January 2008 containing our observations and suggestions. We concluded that while the actions FSIS has in process will improve its testing program, we believe that strengthening the adequacy, timeliness, and effectiveness of other aspects of the agency's Hazard Analysis and Critical Control Point (HACCP) verification activities would provide stronger assurance that federally-inspected establishments are properly identifying and controlling their food safety hazard risks. FSIS generally concurred with our findings and conclusions.

Improving Safety Inspections for Egg Products

Since 1995, FSIS has administered USDA's responsibilities under the Egg Products Inspection Act. FSIS inspects egg products to ensure they are wholesome, processed under sanitary conditions, and properly packaged and labeled to protect consumers. OIG evaluated FSIS' monitoring and inspection of egg processing plants to assess the agency's performance in meeting these responsibilities.

OIG found that FSIS has not yet integrated egg product inspections into its overall management control structure, including the science-based HACCP program and the automated Performance-Based Inspection System (PBIS).[4] FSIS increasingly depends on PBIS and other automated systems to provide safeguards and oversight of its meat and poultry inspection operations. However, these automated systems cannot be extended to egg processing inspections until a system of electronic records is created to record inspection data for this area. This delay raises concerns about potential adulteration of processed products.

FSIS is developing a rule that would require egg product processing plants to develop and implement HACCP systems. In response to OIG's recommendations, FSIS agreed to develop a new IT system to track domestic inspection activities, including egg products processing, thereby replacing PBIS. FSIS also agreed to conduct trend analyses to identify and correct serious or widespread deficiencies at egg products processing plants.

OIG Investigations: Food Safety

Investigating Allegations of Adulterated Beef Entering the Food Supply

As members of the subcommittee are aware, USDA's investigation into recent allegations, made by the Humane Society, of inhumane treatment of cattle at a Chino, California, slaughter/processing facility has identified potentially adulterated beef entering the food supply. This has led to the biggest food recall in U.S. history. At the request of the Secretary, OIG is leading the Department's investigation into potential violations of the Federal Meat Inspection Act and the Humane Slaughter Act.[5] Our investigation is ongoing, and we are working cooperatively with FSIS and other law enforcement agencies. We are coordinating our efforts with the U.S. Department of Justice (DOJ). At the conclusion of our investigation, we will report on our findings to the appropriate USDA officials. We have also initiated a companion audit that will examine procedural issues arising from the allegations against the Chino, California, facility. (Described on the following page of this statement.)

Investigating Fraud in the BSE Surveillance Program

OIG investigated allegations of fraud on the part of an Arizona facility that housed both pet food slaughter and meat processing operations and that participated in the Department's Bovine Spongiform Encephalopathy (BSE) Surveillance Program. Our agents revealed that the corporation's owner used various schemes to

[4] FSIS has not implemented HACCP at the egg processing plants and it needs to accomplish this first before egg inspection results can be included in PBIS. Once egg inspection results, noncompliance records and other data are in PBIS, FSIS will have information in an electronic format that can be analyzed.

[5] Federal Meat Inspection Act, 21 U.S.C. §§ 601–695 (FMIA); Humane Slaughter Act, 7 U.S.C. §§ 1901–1907.

increase the number of brain stem samples submitted for testing, thereby increasing the amount of USDA payments he received. Some of the samples the company submitted were from healthy, USDA inspected cattle. The owner was convicted of theft, mail/wire fraud, and aiding and abetting. A Federal court sentenced him to 8 months of imprisonment and 36 months supervised release and ordered him to pay a total of $490,000 in fines/restitution.

Fraudulent Conduct Involving Contaminated Food Products

A joint OIG-Food and Drug Administration (FDA) food safety investigation in the past year disclosed that a Florida food processing company was the source of poultry and seafood products that were contaminated with Listeria monocytogenes, a potentially fatal pathogenic bacterium that can be found in ready-to-eat food products. The company did not initiate a recall of the product after learning that it tested positive for Listeria monocytogenes. The product was misbranded and shipped to several locations throughout the United States and Canada. The company president was charged with a scheme to defraud through the sale of adulterated foods and a scheme to introduce misbranded food into interstate commerce. He was sentenced to 15 months imprisonment and 36 months supervised release. Additionally, he received a fine of $5,000 and was ordered to pay $200,000 in restitution to the University of Florida to support its food safety programs.

OIG assisted in a multi-agency food safety investigation into the egregious conduct of a man who had made several allegations that his two young children were harmed by eating contaminated soup. The younger child, an 18-month old, had to be airlifted to an Atlanta hospital for critical care. A sample of the soup submitted to an FDA laboratory for analysis tested positive for Prozac and other anti-depressants. The investigation revealed that the father was responsible for contaminating the soup. He was charged in Federal court with food tampering and ultimately sentenced to 60 months imprisonment and 36 months supervised release.

Food Safety Oversight Work for Fiscal Year 2008: Planned and in Process

As mentioned above in my discussion of OIG's investigation into allegations of what occurred in the Chino slaughterhouse facility, OIG has recently initiated an audit concerning FSIS' Management Controls Over Pre-Slaughter Activities. Our objectives are to determine whether inspection controls and processes in that facility may have broken down and whether the alleged conduct (or omissions) represents an isolated or systemic problem. OIG will evaluate the adequacy of pre-slaughter controls and determine whether improvements are needed to identify and prevent similar problems from occurring elsewhere. We will coordinate this new audit with our ongoing inquiry into alleged criminal violations of food safety and humane animal handling laws at the Chino facility.

Follow-up Review on Meat and Poultry Import Inspections

We are currently conducting a follow-up audit of the Federal inspection system for meat and poultry imports. We will evaluate the adequacy of FSIS' foreign inspection processes concerning the equivalency of foreign food safety systems to U.S. standards; the agency's periodic, in-country reviews that assess whether foreign systems remain equivalent; and FSIS' re-inspection of imported products at U.S. ports of entry. We anticipate releasing our report in late April 2008.

FSIS Recall Procedures for Adulterated or Contaminated Product

As part of a request from the former Acting Secretary, OIG is evaluating issues regarding FSIS recall procedures for adulterated or contaminated product that have already entered the food distribution chain. We will identify whether improvements can be made to FSIS processes for handling recalls to ensure that appropriate information is rapidly conveyed to the appropriate agency decisionmakers. We plan to also evaluate whether FSIS is taking full advantage of its statutory authority to address recall situations. We anticipate releasing this report in late May 2008.

Oversight of the National Organic Program

America's organic foods industry is growing rapidly. Without effective oversight, non-organic products could be marketed as organic and sold for significant profit. To ensure producer compliance with USDA's National Organic Program, OIG plans to conduct an audit to evaluate the oversight provided by the Agricultural Marketing Service (AMS) and State and private certifying agents. As will be discussed below (Section V), the start of this audit has been delayed but we anticipate beginning work in August 2008.

OIG Investigations into Animal Cruelty and Dog Fighting

OIG is devoting increased attention to animal cruelty cases. During fiscal year 2007 and the first 4 months of fiscal year 2008, OIG criminal investigators opened 21 cases and helped achieve 132 convictions related to animal cruelty investigations.

Shutting Down Dog Fighting

OIG dog fighting investigations in 2007 resulted in two of the most significant cases we have pursued in recent years with respect to the number of convictions gained and the extensive public attention received. Foremost was our investigation into a dog fighting ring in Smithfield, Virginia, involving a professional athlete and his associates. This dog fighting ring operated from 2001–2007, until it was shut down as the result of OIG's investigation. The primary defendant's property contained structures specifically designed for dog breeding, housing, and fighting. A total of 66 dogs (52 pit bulls and 14 other breeds) were seized by State and local authorities in the execution of a search warrant on the property. OIG's Emergency Response Team (ERT) assisted in this investigation by recovering and transporting evidence located on the grounds. Pursuant to a court order, the 47 pit bulls forfeited to the U.S. Government were eventually transferred to a Utah animal sanctuary or seven other animal rescue organizations for foster and/or lifetime care of the dogs.

The five subjects of the dog fighting ring pled guilty in Federal court to conspiracy to travel in interstate commerce in aid of unlawful activities and to sponsoring a dog in an animal-fighting venture. The primary defendant was sentenced to 23 months incarceration and was ordered to pay $928,073 in restitution to fund the lifetime care of the dogs rescued from his property. The four other subjects received varying sentences ranging from 2 to 21 months incarceration.

Our second major animal fighting investigation in 2007 was "Operation Bite Back," an investigation conducted jointly with the Ohio Organized Crime Investigations Commission into a multi-state dog fighting and gambling enterprise operating in Ohio, Kentucky, and Michigan. This investigation resulted in more convictions than any other single OIG investigation into dogfighting. During surveillance of various dog fighting events, we observed food stamp (Electronic Benefits Transfer, EBT) fraud, illegal wagering, the sale and use of narcotics, and felons illegally carrying firearms. Agents from OIG and other agencies seized pit bulls, U.S. currency, marijuana, cocaine, firearms, a bulletproof vest with a ski mask, and a warehouse full of dog fighting equipment and blood-stained fighting pits.

Operation Bite Back resulted in charges against 55 individuals, including violations of Federal and State laws prohibiting dog fighting, possession of firearms, gambling, food stamp trafficking, and interstate transportation of stolen vehicles. Guilty pleas were entered by 46 of the accused. OIG's National Computer Forensics Division provided digital analysis of three seized computers for the Dayton, Ohio, Police Department. Federal and State prosecution activity in this case is ongoing.

Homeland Security Oversight

Evaluating USDA Controls on the Importation of Biohazardous Materials

In order to protect our Nation's animal and plant resources from diseases and pests—and preserve the marketability of U.S. agricultural products—USDA's APHIS requires permits for entities[6] seeking to import or move certain animals, animal products, pathogens, plant pests, and specified agricultural products. OIG evaluated APHIS' controls over its permit system regarding the importation of biohazardous and other regulated materials and assessed the effectiveness of APHIS' corrective actions in response to our 2003 audit report.

OIG determined that APHIS has taken some of the corrective actions recommended in a prior audit, such as restricting the hand-carrying of packages containing regulated materials through ports of entry. Persons authorized to hand-carry must now be named in the permit, and the permit holder must contact APHIS in advance to coordinate the arrival of all hand-carried regulated material. In addition, inspectors at the ports can now access the "ePermits" database system to verify the basic information contained on incoming permit documents.

Our audit found, however, that other key OIG recommendations to strengthen APHIS' permit systems against vulnerabilities and misuse still needed to be implemented. The agency had not fully implemented the new ePermits monitoring system. Until ePermits is fully operational, APHIS cannot monitor import activity at

[6] Examples include private, State, and Federal research laboratories, universities, and vaccine companies.

a nationwide level.[7] Inspectors have not been provided instructions for using ePermits to screen incoming shipments. Although APHIS has made progress in improving its screening procedures for plant inspection stations at ports of entry, APHIS needs to develop controls to ensure that biohazardous materials are routed to those facilities.

The National Strategy for Pandemic Influenza: Reviewing USDA's Response

In late 2005, the President announced the National Strategy for Pandemic Influenza (National Strategy), a comprehensive approach to addressing the threat of pandemic influenza. The Implementation Plan of the National Strategy included over 300 tasks that were designed to ensure that the Federal Government, along with its State and local partners, continues to prepare for a possible outbreak in the United States. USDA was assigned responsibility for completing 98 of these tasks.

We have provided testimony to the subcommittee about the findings of our review of APHIS oversight of Avian Influenza (AI).[8] We continued our oversight work in this area by evaluating USDA's progress regarding its responsibilities under the National Strategy. We found that USDA has made significant progress in developing or revising policies and procedures to detect, contain, and eradicate highly pathogenic

AI in order to reduce the threat of a pandemic.

USDA took action on each lead task we reviewed, such as helping to develop the interagency response playbook that detailed step-by-step actions that Federal agencies should take in response to an outbreak. Our review found, however, that these new procedures were not tested to ensure they worked as designed.

We also found that APHIS had not implemented all of the recommendations from our 2006 report intended to strengthen the agency's outbreak response capabilities. One was the recommendation that the agency work closely with State and industry representatives regarding outbreaks affecting live birds, in order to develop necessary response plans and review/certify State plans. These State plans are necessary to address gaps in the Federal response plan, including cleaning and disinfection, humane euthanasia, quarantine, and movement control. As a result, we believe APHIS has reduced assurance that it will be able to timely and effectively respond in the event of an outbreak. APHIS generally agreed with OIG's findings and recommendations.

Homeland Security Oversight in Fiscal Year 2008: Planned and in Process

USDA Participation in the Rehabilitation of Flood Control Dams

The Natural Resource Conservation Service (NRCS) is authorized to assist local organizations with the rehabilitation of aging flood control dams. Many NRCS assisted dams in the United States are near or at the end of their 50-year design life and warrant inspection and potential rehabilitation. A dam failure in Hawaii and a "near bursting" dam in Massachusetts demonstrate the need to determine the conditions of NRCS-financed dams. OIG initiated an audit to review the adequacy of NRCS' controls for the rehabilitation of agency-assisted flood control dams. We anticipate releasing this report in mid-2008.

PROTECTING THE INTEGRITY OF USDA BENEFIT AND ENTITLEMENT PROGRAMS

USDA's Response to Hurricanes Katrina and Rita: Preventing Waste and Abuses

Since I last submitted testimony to the subcommittee (March 2007), OIG has concluded several of the primary audits we initiated in response to the devastating 2005 hurricane season. Members of Congress urged Federal OIGs to work in concert to ensure that the massive Federal funds allocated for multi-agency disaster relief efforts in 2005 were expended efficiently and not subject to waste and abuse. In a series of audits, OIG found areas where improved agency controls were necessary to avoid further waste and fraud, and we identified USDA "best practices" that could also benefit other Federal entities. I would like to highlight several of our more significant reviews for the subcommittee.

At the onset of the hurricanes, OIG quickly deployed audit teams to the Food and Nutrition Service's (FNS) food stamp distribution centers in the Gulf region. Our personnel reviewed and observed the operation of FNS disaster food stamp pro-

[7] For example, until the ePermits system is fully operational, the agency cannot perform analyses to identify trends in permit activity that could signal possible misuse of the permit system. The ePermits system could not provide officials with information on which permit holders had been inspected or were required to be inspected before permit issuance.

[8] APHIS-Oversight of Avian Influenza. OIG report number 33099–11-HY. June 2006.

grams[9] as State and local personnel disbursed benefits to families affected by the disasters. Our audit teams were able to provide feedback to FNS and State personnel on whether program controls were sufficient to prevent abuses such as duplicate payments, dual participation, and employee fraud. OIG concluded that FNS and participating State agencies quickly and effectively provided over $800 million in disaster food stamp benefits to millions of disaster victims. However, we did note that improvements could be made to ensure that State agencies are adequately prepared in disaster situations. States did not always include required components in their disaster plans, such as fraud prevention procedures. Some application processing systems used by States did not track denied applications or account for all family members—two factors that can result in fraudulent benefits. Based on OIG recommendations, FNS agreed to specify in regulations the State agency responsibilities for developing and implementing disaster assistance programs.

Focusing primarily on loan and grant funds being disbursed to repair hurricane damage in the Single Family Housing Program (SFH), OIG audit staff found that USDA's Rural Housing Service (RHS) and other Federal agencies had not coordinated activities to prevent duplicate housing assistance payments to hurricane victims. RHS had not required recipients to provide information about reimbursements and assistance they received from insurance companies and charitable organizations. This resulted in some recipients receiving duplicative financial assistance from RHS and other sources for a single damage claim. We also found that RHS emergency grant funds were awarded for ineligible purposes, such as non-disaster related repairs, improvements and repairs unrelated to health and safety concerns, and use of unlicensed contractors. RHS is taking action to address the majority of our recommendations. We are continuing discussions with agency officials to reach management decision on the propriety of using hurricane disaster funding for non-hurricane related repairs.

Disruptions resulting from Hurricanes Katrina and Rita temporarily impacted commodity prices received by farmers. Afterwards, USDA developed initiatives to alleviate transportation congestion on the Mississippi River, such as providing grants to move damaged corn from New Orleans and move agricultural commodities through other regions. The Farm Service Agency (FSA) implemented the initiatives and provided monetary assistance through the Commodity Credit Corporation (CCC). OIG conducted an audit that determined USDA needed an improved response and recovery plan to relieve future, serious disruptions in the movement of commodities along the Mississippi River. Due to the urgent situation brought about by the hurricanes, USDA had initially used ad hoc procedures to award noncompetitive agreements that resulted in higher costs compared to competitively-secured agreements. FSA acted upon OIG audit recommendations to coordinate with USDA entities, industry stakeholders, and other Federal agencies to formalize a response/recovery plan for disruptions to the grain transportation/storage system.

OIG also conducted numerous criminal investigations into allegations of fraudulent activity resulting from Federal hurricane relief efforts. To date, our investigations have achieved 61 indictments and 18 convictions involving the Food Stamp Program. We continue to work closely with DOJ Fraud Task Forces in Louisiana and Mississippi to ensure that allegations of fraud are investigated.

While the aforementioned audit and investigative work represent OIG's most recent contributions to USDA's disaster relief activities, this year we will assess the efficiency of other USDA programs that assist citizens and communities during emergencies. In fiscal year 2008, we expect to issue reports on the Hurricane Indemnity Program, Livestock and Feed Indemnity Programs, Emergency Forestry Conservation Reserve Program, and Emergency Conservation Program, among others.

Review of Misreported Nonfat Dry Milk Pricing Data

Each week, the National Agricultural Statistics Service (NASS) collects data from plants that commercially produce in excess of 1 million pounds of dairy products, which are then used to determine current market prices. In brief, the nonfat dry milk prices NASS publishes are used by AMS to help set the minimum prices paid to milk producers in the Federal milk marketing order system.

In a review done by OIG's Office of Inspections and Research, OIG determined that a large dairy firm misreported nonfat dry milk volume and price information when submitting its weekly reports to NASS beginning in 2002. The incorrect data,

[9] Under a disaster food stamp program, FNS can waive requirements of the regular program in order to provide benefits quickly to disaster victims. Some items that were waived during the hurricanes included income requirements, eligibility tests, and identity tests. Benefits are provided at many different locations. Because of the reduced eligibility requirements, duplicate participation and other types of fraud can readily occur.

once aggregated with other firms' data, was then factored into the Federal milk marketing order formula, resulting in a $50 million underpayment to milk producers.

We offered recommendations to NASS centering on the need for the agency to verify the information previously received from dairy plants which will allow the calculation of a more precise Federal milk marketing order price for milk producers. We also recommended measures to ensure improvement in NASS' data collection process. NASS agreed with each of our recommendations and has taken steps to improve its data collection and review processes.

Identifying Improper Payments: Conservation Programs

The Natural Resources Conservation Service (NRCS) administers conservation easement programs that restore lands to their natural state (i.e., wetlands and grasslands) by purchasing conservation easements from landowners. Participating landowners agree to limit use of their land to activity that both enhances and protects the purposes for which the easements were acquired. Land under conservation easements may be ineligible for farm assistance payments from FSA.[10] NRCS field offices are required to notify FSA whenever land is placed under a conservation easement, so that FSA does not make payments to landowners with conservation easements on farm land. In a previous audit, OIG found situations where FSA made improper farm assistance payments to landowners for land under conservation easements. To determine the extent of such ineligible payments in one major agricultural State, we conducted an audit in 2007 to expand our previous work in California.

OIG's review found additional examples demonstrating the need for better interagency communication, coordination, and program integration between NRCS and FSA. In 49 of the 53 Wetland Reserve Program and Emergency Watershed Protection Program easements we reviewed, NRCS did not notify FSA when the easements were recorded. This occurred because the local NRCS field offices mistakenly expected the relevant NRCS State office to fully inform FSA of the easements. Without the necessary easement information, FSA made improper farm assistance payments on 33 easements, totaling $1,290,147. During our fieldwork, we recommended that NRCS immediately provide a list of easements in California to FSA. Our report recommended that NRCS provide training for field staff in California regarding their responsibility to notify FSA about recorded easements. NRCS and FSA responded that each agency has taken appropriate corrective action to remedy the specific concerns noted in OIG's report and established a protocol to ensure better interagency communications.

Assessing USDA's Efforts to Promote U.S. Farm Exports

In response to a Congressional request, OIG reviewed the extent to which the Foreign Agricultural Service's (FAS) market development programs foster expanded trade activities in the exporting of U.S. agricultural products. OIG was asked to review concerns regarding U.S. trade practices, promotion efforts, and financing operations, and to identify areas for USDA to achieve greater results with improvements such as enhanced inter-department coordination.

OIG found that FAS does not formally track its efforts to expand exports or its outreach to U.S. exporters and thereby had no assurance that outreach efforts were effective in expanding U.S. agricultural exports. OIG issued recommendations intended to allow USDA to more effectively measure its accomplishments and thereby prioritize limited resources to better promote U.S. exports. FAS generally concurred with OIG's recommendations and has agreed to take corrective action on each.

Reviewing the Tobacco Transition Payment Program

Legislation enacted in 2004 ended the Depression-era tobacco quota program and established the 10-year, $10.14 billion Tobacco Transition Payment Program (TTPP) to provide annual transitional payments to eligible tobacco quota holders and producers.[11] Payments began in fiscal year 2005 and are funded through assessments on tobacco product manufacturers and importers. CCC estimates that payments made over the 10-year period will approximate $6.7 billion to quota holders and $2.9 billion to tobacco producers. OIG is conducting a three-phase review of TTPP. The first phase has now been completed; we examined FSA's controls on payments to quota holders and concluded that they were generally adequate to ensure that TTPP payments were issued to eligible quota holders. The second phase (audit of TTPP

[10] If a landowner with NRCS conservation easements participates in FSA farm assistance programs, he or she is required to inform FSA about the easements so the agency can appropriately reduce the landowner's crop bases and calculate their assistance payments.

[11] TTPP quota holders are the landowners of farms to which tobacco quota was assigned.

assessments) is ongoing and the final phase (audit of payments to producers) is planned for later this fiscal year.

OIG Investigations: Farm Programs and Crop Insurance Fraud

In fiscal year 2007, OIG criminal investigators helped obtain 35 convictions in cases involving criminal activity related to FSA and Risk Management Agency operations. Our investigative work related to these two agencies achieved approximately $21.6 million in monetary results during fiscal year 2007.

Uncovering Fraud Related to the Tobacco Program

OIG conducted a joint investigation that resulted in two North Carolina men being ordered to forfeit $4.5 million for their conspiracy to structure financial transactions to avoid filing currency transaction reports. The men used an extensive network of accomplices, family members, and friends to conduct over $4.5 million of transactions in increments under $10,000 to avoid filing the required reports. OIG agents determined that both men intentionally engaged in fraudulent actions regarding the proper identification of tobacco grown under FSA's Burley Tobacco Marketing Program. The IRS, FBI, and Tennessee Bureau of Investigation participated in this investigation.

Uncovering Fraud in the Crop Insurance Program

OIG agents revealed a crop insurance scheme in Virginia wherein an insurance company supervisor and a claims adjuster colluded to misrepresent a tomato farmer's production records. The supervisor backdated forms to enable the producer to meet planting dates approved by RMA and falsified production totals to ensure the producer would realize a loss. The adjuster made false statements by verifying that he visited the producer's fields; in fact, no such visits were made. The producer was unaware of the actions taken by the supervisor and the adjuster. OIG determined that the misrepresentations resulted in the producer receiving a $308,000 Federal crop insurance indemnity payment for purported tomato losses. The supervisor and the adjuster were sentenced in 2007; the supervisor was sentenced to 5 months imprisonment and additional home detention; and the adjuster received a sentence of 24 months probation. Both men were ordered to pay $240,031 in restitution and were debarred by RMA from participation in the crop insurance program for 3 years.

A second crop insurance case investigated by OIG determined that producers in Georgia conspired to use a third producer as a "front." The scheme involved using the front's name as the producer because he had a higher production yield for tobacco. The two producers thereby received larger crop insurance payments during several years from 2000 to 2004 and paid cash to the front for his participation. OIG's investigation resulted in the two producers paying a combined restitution of $739,000 to USDA prior to their sentencing for misprision (concealment) of a felony. The producers were each sentenced in August 2007 to 48 months probation and fined $80,000 in addition to the restitution. The front producer cooperated in the investigation and received pretrial diversion.

OIG Investigations: RD Programs-Fraud by Company Financial Officer Results in Sentence and Restitution

OIG conducted an investigation into an Oklahoma manufacturing company's former chief financial officer who used falsified documents to obtain RD loans. Our investigation disclosed that the individual fraudulently obtained $4.9 million in financial assistance from USDA and an Oklahoma bank, and another loan of $275,000 from a local lender. USDA ultimately paid the lender $1.8 million as a result of the loans going into default. The investigation resulted in the former financial officer being sentenced to 40 months imprisonment and 60 months supervised release. He was also ordered to pay $3.8 million in restitution.

OIG Oversight of the Crop Insurance Program in Fiscal Year 2008: Planned and in Process

Reviewing RMA Compliance Activities

RMA administers the Federal crop insurance program in a partnership with approved, private sector insurance providers (AIP). RMA is mandated to ensure integrity in the program; its actions include monitoring AIP performance and conducting various compliance activities. We are in the latter stages of our review of the effectiveness of the agency's compliance activities and expect to issue our report in mid-2008.

Implementing an Effective Quality Control System for Crop Insurance

We previously reported that RMA must have an effective quality control system in place to fully implement the Agricultural Risk Protection Act of 2000 and thereby strengthen the program's integrity and improve participant compliance. To date, we still have not reached management decision on three of the four recommendations in OIG's 2002 report. OIG recently initiated a review of the corrective actions planned and/or implemented by RMA. We will assess the agency's oversight activities concerning AIP program delivery and examine whether AIPs have implemented the controls required to prevent/detect program abuses, waste, and improper payments.

Evaluating Crop Losses and Indemnity Payments Due to Aflatoxin-Infected Corn

RMA issued indemnity payments totaling $27 million nationwide for the 2005 crop year due to Aflatoxin-infected corn.[12] Agency concerns about the market price data used to calculate the resulting indemnity payments led RMA to request OIG's assistance. We therefore initiated an audit to evaluate (1) whether RMA had sufficient management controls regarding those payments, (2) whether indemnity payments were properly determined, and (3) whether payments were based on reasonable reductions in market value, among other issues.

OIG Oversight of Rural Development Programs in Fiscal year 2008: Planned and in Process

Rural Business Cooperative Service: Reviewing Economic Development Loans to Intermediaries

RBS' Intermediary Relending Program (IRP) seeks to increase economic activity and employment in rural communities and alleviate poverty by providing loans to local organizations that utilize the funds to make direct, smaller loans to eligible businesses and projects in the community. In fiscal year 2007, the IRP had over 400 borrowers and a loan portfolio of $687 million. Congress has appropriated approximately $33 million for the IRP for each of the past 3 fiscal years. OIG is examining RBS' internal controls to determine if they are sufficient to ensure that IRP loan funds are properly spent. OIG will examine whether these loans are made to eligible borrowers for eligible purposes, the liens are appropriately used to secure the loans, and RBS' servicing actions are effectively managing collections, delinquencies, and defaults.

Rural Rental Housing: Concerns About Owner Financial Data and Maintenance

OIG has previously found theft of project funds by owners and management companies, totaling $4.2 million.[13] The thefts contributed to deteriorated Rural Rental Housing (RRH) projects that threatened the health and safety of rural residents nationwide. We are planning a new review to determine whether there is adequate accounting for the financial data submitted by owners, whether the RRH project's operating expenses are reasonable and documented, and whether Rural Development's (RD) inspection procedures effectively resolve RRH maintenance and repair issues.

During fiscal year 2008, OIG also plans to audit the Rural Housing Service's (RHS) management controls to determine if they are sufficient to limit delinquencies in the SFH Direct Loan Program.

Rural Utilities Service: Broadband Loan Programs and Water and Waste Programs

Based upon the findings of OIG's September 2005 audit, the House Agriculture Appropriations Subcommittee expressed concern that the Rural Utilities Service (RUS) had not taken sufficient corrective actions regarding its Broadband Loan Program. OIG reported that of the $599 million in broadband funds reviewed, over $340 million (67 percent) was expended for questionable purposes. We plan to conduct a comprehensive follow-up audit to determine RUS' progress in managing its broadband programs and address specific concerns raised by Members of Congress.

In fiscal year 2007, RUS' Water and Waste Programs provided over 1.3 million rural subscribers with new or improved service facilities at a cost of approximately $1.6 billion. These programs are limited to communities that have populations of 10,000 or less, with low median household income levels, and cannot obtain credit

[12] Aflatoxin, produced by the fungus Aspergillus flavus, is a potent carcinogen. Its presence in corn reduces marketability.

[13] Rural Rental Housing Program, Uncovering Program Fraud and Threats to Tenant Health and Safety. OIG Report 04801–6–CH, issued March 1999.

elsewhere. OIG plans to evaluate management controls in the agency's Southeast region to determine whether water and waste funding is being allocated only to communities meeting these criteria.

Improving USDA Nutrition Programs: Oversight of Governmental and Private Entities

In addition to our disaster food stamp program work, we also issued several other nutrition assistance program audits in 2007. We audited nonprofit sponsors in California and Nevada participating in the agency's Summer Food Service Program. We found several deficiencies in three sponsors' administration of the program, including unsafe food handling and storage. The sponsors also submitted reimbursement claims for unsupported and questionable costs. Our review of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) in Puerto Rico determined that FNS had not ensured that the Commonwealth's agency resolved deficiencies noted in prior FNS reviews, including inadequate oversight of WIC vendors. Commonwealth WIC officials compromised the vendor bidding process by releasing information that allowed vendors to calculate bid prices in ways that increased food costs to the program and violated regulations by permitting in-store credits. These credits resulted in reimbursement to vendors for products that were not delivered to WIC participants.

In 2007, OIG also assessed the EBT system controls of the company that is the program's largest EBT processor. In fiscal year 2008, we will continue our oversight in this field by reviewing elements of the EBT systems in Colorado and California.

OIG Investigations: Targeting Fraud and Theft in USDA Nutrition Programs

In fiscal year 2007, OIG investigators helped obtain 77 convictions in cases involving criminal activity related to food stamp program/EBT fraud and achieved $25.4 million in monetary results.[14] For criminal activity related to the WIC program in fiscal year 2007, OIG investigators helped obtain 10 convictions and $507,884 in monetary results.

The following cases provide examples of the type of criminal activity and schemes our agents uncover.

Vendor Fraud in the Food Stamp Program

A repeat offender of the food stamp program received an extended sentence after a joint investigation OIG conducted with Internal Revenue Service (IRS) and the Syracuse Police Department. The individual was a "straw owner" of a grocery store that redeemed over $1 million in illegal food stamp benefits during 2005 and 2006. Seeking to hide his prior conviction on food stamp fraud, the individual had another person act as the store owner and obtain the FNS license necessary to redeem food stamp benefits. The straw owner purchased food stamp benefits for below face-value from recipients and was then reimbursed by the food stamp program for their full value. The OIG/joint investigation resulted in the former store owner being sentenced in June 2007 to 30 months in prison, 36 months probation, and restitution of $330,074 to USDA. The sentence will run consecutively with the 33-month sentence (currently being served) he received for money laundering in an earlier food stamp fraud case prosecuted in the Northern District of Ohio.

OIG conducted an investigation with U.S. Immigration and Customs Enforcement (ICE) into the former owners of two Chicago grocery stores engaged in EBT trafficking. The owners redeemed approximately $1.2 million in EBT benefits and over a year's time withdrew more than $100,000 without reporting the financial transactions to IRS. The two were found guilty of wire fraud, aiding and abetting, money laundering, and conspiracy to avoid currency regulations. In September 2007, the first owner was sentenced to 90 months of imprisonment, to be followed by deportation and was ordered to pay $1.1 million in restitution. The second owner was sentenced to 12 months imprisonment and ordered to pay approximately $61,000 in restitution.

Investigations to Safeguard the Women, Infants, and Children Program

A major OIG case involved an interstate conspiracy in which extremely large amounts of infant formula that were shoplifted in the Atlanta metro area were transported to New York in rental trucks. A covert search during the investigation revealed that the baby formula was stored in an infested, non-refrigerated storage unit during extreme heat conditions, causing the formula to become adulterated. The value of the stolen goods for the two organized crime organizations involved was approximately $6.48 million. In December 2007, five members of the two orga-

[14] Each of the monetary result statistics contained in this testimony statement were determined as required by the Inspector General Act of 1978, 5 U.S.C. App. 3 § 5.

nizations received sentences ranging from 27 to 60 months in Federal prison for conspiracy and 42 to 65 months for interstate transportation of stolen property. The five members each received an additional 36 months of supervised release. OIG investigated this case with FDA and the Organized Crime Unit of the Atlanta Police Department. Prosecutorial activity is ongoing.

We are currently awaiting sentencing in a case in which OIG agents determined that the husband and wife owners of a Michigan grocery store had fraudulently redeemed approximately $917,000 in WIC coupons and food stamp benefits. In July 2007, the husband pled guilty to food stamp trafficking and agreed not to contest the forfeiture of approximately $108,000 (including WIC vouchers) seized from his business and residential properties. The woman was enrolled in Medicaid and childcare subsidy programs; she did not disclose her part-ownership in the store and provided false information regarding her family income, thereby improperly receiving over $22,000 in Government subsidies. The wife pled guilty to false statements related to her welfare fraud. OIG worked this case jointly with the State of Michigan's Human Services Department.

OIG agents worked with Federal and local law enforcement agencies to reveal that an FNS authorized convenience store operator in North Carolina was involved with other individuals in a stolen infant formula theft ring and counterfeit pharmaceutical scheme. A Virginia man involved in the conspiracy had devised a scheme to illegally transport stolen "WIC approved" infant formula from the North Carolina convenience store to Virginia and New York. Two suspects paid undercover agents approximately $100,000 for "stolen" infant formula that had a retail value in excess of $700,000. The store operator was sentenced in June 2007 to 37 months in prison and 36 months supervised probation; a deportation hearing will be held upon release. The individual responsible for transporting and trafficking the infant formula had previously pled guilty in Federal court. The FDA, FBI, and the Wilson, North Carolina, Police Department participated in the investigation.

IMPROVING USDA MANAGEMENT

USDA's Fiscal Year 2007 and 2006 Consolidated Financial Statement Audits

Pursuant to the Chief Financial Officers Act of 1990 and Office of Management and Budget (OMB) guidance, Federal OIGs are responsible for annual audits of Departmental and agency financial statements to obtain reasonable assurance that the financial statements are free of material misstatements. For fiscal year 2007, OIG issued a qualified opinion on the USDA Consolidated Financial Statements and the RD Financial Statements. The qualified opinions were the result of significant revisions made to RD's credit reform processes related to the Single Family Housing Program cash flow model and subsidy re-estimates. We were unable to obtain sufficient evidence to support USDA's or Rural Development's financial statement amounts as of the end of fiscal year 2007 for estimated allowances for subsidy costs.

The Commodity Credit Corporation, Forest Service (FS), FNS, and Federal Crop Insurance Corporation/RMA received unqualified opinions on their fiscal year 2007 financial statements.[15] However, OIG noted that the Department needs to continue improving its overall financial management, information technology security and controls, and certain financial management processes. The Office of the Chief Financial Officer (OCFO) has immediate and long-term plans to substantially improve these financial and IT material weaknesses.

Oversight of USDA's Information Technology Security

Last fall, we issued our annual review of the Department's Federal Information Security Management Act (FISMA) efforts for fiscal year 2007. Our review determined that the Department has improved its IT security oversight in several areas during the fiscal year. For example, the inventory of agency systems had significantly improved. In other areas, such as the certification and accreditation (C&A) process, improvements were noted, but additional work is still needed. However, a continuing material IT control weakness exists within the Department due to the lack of an effective, Departmentwide IT security plan. In our view, an effective plan would measurably improve USDA's ability to correct IT issues that affect its agencies and the Department as a whole. If the Department and its agencies effectively identify and prioritize the IT risks that exist and work collaboratively to resolve them, they can implement a time-phased plan to systematically mitigate them. Increased agency emphasis will facilitate improvements in compliance with required standards, plan of action and milestones reporting, risk level characterization, C&A

[15] An unqualified opinion means USDA and standalone agencies' financial statements fairly presented their financial position and related reporting.

of key IT processes, Privacy Act implementation and encryption, and configuration management.

The Department concurred with OIG findings and recommendations and is taking steps to implement corrective actions. USDA officials advise that these IT control weaknesses are complex, affect most agencies within the Department, and will take time to fully resolve.

Processing USDA Employee Civil Rights Complaints

In response to a request from Senators Harkin and Lugar, we followed up on an earlier OIG review and evaluated USDA's performance in tracking and processing equal employment opportunity (EEO) complaints from USDA employees and job applicants.[16] We found that the Office of Civil Rights (CR, now known as the Office of Adjudication and Compliance) had significantly reduced the time required to complete an average case by approximately 50 percent from 1997 through 2006. The agency also began implementation of its Civil Rights Enterprise System (CRES) a web-based application that enables USDA agencies and CR to use a single, improved automated system for processing/tracking EEO complaints. Previously, USDA agencies all maintained separate systems that were not reconciled. However, our audit also found that CR could not track EEO complaints effectively or process them on time and material weaknesses persisted in CR's management control structure and environment. Consequently, CR continued to miss Equal Employment Opportunity Commission (EEOC) required timeframes. While the implementation of CRES was a positive step, CR did not establish sufficient protocols in the system to ensure the accuracy and sufficiency of complaint data.

In response to OIG's recommendations, CR agreed to a series of corrective measures. These include developing a detailed formal plan to process EEO complaints timely and effectively, fully test and implement improved CRES protocols and validate the accuracy of its complaint information, and implement procedures to control and monitor case file documentation and organization.

OIG Investigations Involving USDA Employees

In addition to OIG's law enforcement activities regarding external parties and individuals who violate Federal laws pertaining to USDA programs and operations, we are responsible for examining and investigating allegations that USDA employees have engaged in serious misconduct or criminal activity related to their employment. Following are two examples of such cases from 2007.

An OIG investigation involving a former RD Community Development Technician with 25 years of Federal service revealed that the individual had created fictitious loan files and grant applications. The former employee wrote checks from an agency supervised account regarding fictitious loan applications and stole the funds for her personal use. The former employee was sentenced to serve 24 months in prison, followed by 36 months supervised release, and ordered to pay $160,484 in restitution for embezzlement.

Following a joint OIG-FBI investigation, an Illinois man was arrested by the Cairo, Illinois, Police Department and found to possess hundreds of counterfeit identification cards, including two APHIS Veterinary Service photo identification (ID) cards. The police also found an identification-making machine and related paraphernalia. The individual utilized the false ID cards to cash fabricated checks at grocery stores throughout the Midwest. He was sentenced in Federal court in May 2007 to 60 months in prison, 60 months of supervised release, and ordered to pay $26,129 in restitution for the manufacture/possession of counterfeit USDA identification documents.

Oversight Work Regarding USDA Management in Fiscal Year 2008: Planned and in Process

The Use of Suspension and Debarment in USDA

OIG is conducting an audit to assess the use of suspension and debarment procedures by USDA agencies. We will determine the extent to which USDA personnel are effectively using and enforcing existing authorities, so that individuals and entities found to have previously abused Federal programs do not cause further injury or loss to the Government.

---

[16] Office of Civil Rights—Management of Employment Complaints. OIG report 60801–3–HQ, issued March 10, 2000.

Implementation of Renewable Energy Programs in USDA

In 2006, the President developed the Advanced Energy Initiative to reduce the Nation's dependence on foreign energy sources as a matter of economic and national security. USDA established an Energy Council to coordinate and guide renewable energy activities within the Department and with other Federal departments. USDA uses its renewable energy funding to conduct research and to provide loans and grants to build facilities for ethanol, cellulosic, wind, and solar renewable energy projects.

OIG has an audit ongoing to evaluate the Department's efforts to promote renewable energy projects, as it was directed by the 2002 Farm Bill, the 2005 Energy Policy Act, and the Advanced Energy Initiative. Our review includes an assessment of the agencies' internal controls regarding recipient eligibility, the issuance of renewable energy funds, and the coordination of renewable energy research within USDA. Our audit work is focusing on renewable energy activities at the Departmental level and within the following agencies: RBS; RUS; Agricultural Research Service; Cooperative State Research, Education, and Extension Service; and FS. We anticipate releasing this report in April 2008.

Natural Resources Oversight Work for Fiscal Year 2008: Planned and in Process

Conservation: Wetlands Reserve Program—Restoration Costs and Oversight

The Wetlands Reserve Program (WRP) assists private landowners by providing financial and technical assistance to restore, enhance, and protect wetlands in a cost-effective manner through long-term easements and cost-share agreements. WRP focuses on enrolling marginal lands that have a history of crop failure or low yields and restoring and protecting degraded wetlands. OIG is examining WRP restoration costs and NRCS' monitoring of restoration efforts on these lands.

Farm and Ranch Lands Protection Program—Review of Non-Governmental Organizations

The Farm and Ranch Lands Protection Program provides matching funds to purchase development rights to keep productive farm and ranch lands in agricultural use. NRCS uses cooperative agreements to partner with State, tribal, or local governments and non-governmental organizations (NGO) to acquire conservation easements or other interests in land from landowners. Due to our 2006 audit findings that an NGO circumvented NRCS policies, we initiated a nationwide audit to evaluate the adequacy of NRCS' controls regarding NGOs and the appraisals used in conservation easement purchases.

Effectiveness of NRCS' Reviews Regarding Producer Compliance with Conservation Requirements

In order to maintain their eligibility for USDA program benefits, producers are required to apply conservation systems to control soil loss or preserve wetlands on highly erodible lands and wetlands. NRCS implemented a status review process to assess producer compliance with its conservation requirements and thereby determine (with FSA) producers' continued eligibility for farm program benefits. Due to problems disclosed in prior OIG and Government Accountability Office audits, OIG is reviewing actions taken by NRCS to address our prior findings and recommendations and evaluating the agency's current status review operations.

OIG Oversight of Forest Service Programs and Operations

While I recognize that the subcommittee does not appropriate funds for FS, I would like to briefly discuss OIG's oversight work related to FS because it is an important area of oversight responsibility for us. Due to FS' vast size—a budget of $4.4 billion and approximately 30,000 FTEs in fiscal year 2008—and its vital mission to manage America's national forests and grasslands, OIG devotes considerable resources to FS oversight activities.

To address concerns about the airworthiness of firefighting aircraft, we audited the FS Air Safety Program to determine whether it minimizes the risk of accidents and contributes to the effective use of aerial resources.[17] We concluded that FS has made strides in improving its air safety program, but believe the agency still needs to implement an airworthiness assessment and maintenance program for all of its aircraft that is targeted towards the demands that a firefighting flight environment imposes on aircraft.

[17] Forest Service's Air Safety Program. OIG Report 08601–48–SF, issued February 2008.

In 2007 and 2008, OIG provided testimony on three occasions to House and Senate committees regarding our work assessing the increasing, large fire suppression costs borne by USDA/FS, and the over-accumulation of hazardous fuels in the national forests that is contributing to these larger and more destructive fires.[18] We advised that the majority of FS' large fire suppression costs (50 percent to 95 percent) are directly linked to protecting private property in the Wildland Urban Interface. At the time of our audit, FS did not have the ability to ensure that the highest priority fuels reduction projects were funded first. The financial burdens on FS due to wildland firefighting are likely to continue to rise because of current public expectations and uncertainties about Federal, State, and local responsibilities.

OIG Investigations: FS Operations and Personnel

As part of our FS oversight responsibilities, OIG has a statutory duty to conduct an independent investigation into the death of an officer or an employee of the Forest Service that is caused by wildfire entrapment or burnover and to provide the results of our investigation to the Secretary and Congress. With the support of this subcommittee, we therefore established our Wildland Fire Investigation Team (WFIT) to ensure that select OIG criminal investigators receive extensive training in the highly specialized field of wildland fire fighting. We currently have two investigations ongoing related to FS firefighter fatalities. The first pertains to the Thirtymile Fire that occurred in July 2001 in the Chewuch River Canyon area north of Winthrop, Washington. The second ongoing investigation pertains to the FS fatalities that occurred during the Esperanza Fire that occurred in October 2006 in Riverside County, California.

A further OIG investigation of note regarding FS in 2007 was our investigation into the cause of several 2004 wildfires in the Coconino National Forest (Arizona) that consumed 24 acres. OIG agents found evidence that a long-serving, experienced FS fire management officer had intentionally set the fires. The former FS employee eventually confessed to starting two wildfires in the forest and retired during the course of the investigation. He was sentenced in Federal court in June 2007 to 24 months in prison and 36 months of supervised release and ordered to pay a total of $15,390 in fines and restitution.

FS Oversight Work for Fiscal Year 2008: Planned and in Process

We have audit initiatives underway to review FS' firefighting succession planning (ensuring the agency will have a sufficient number of skilled, well-trained Incident Commanders), the agency's use of contract labor crews, and its replacement plan for firefighting aerial resources. We also plan to review FS' acquisition practices for IT hardware and software.

OIG'S FISCAL YEAR 2009 BUDGET REQUEST

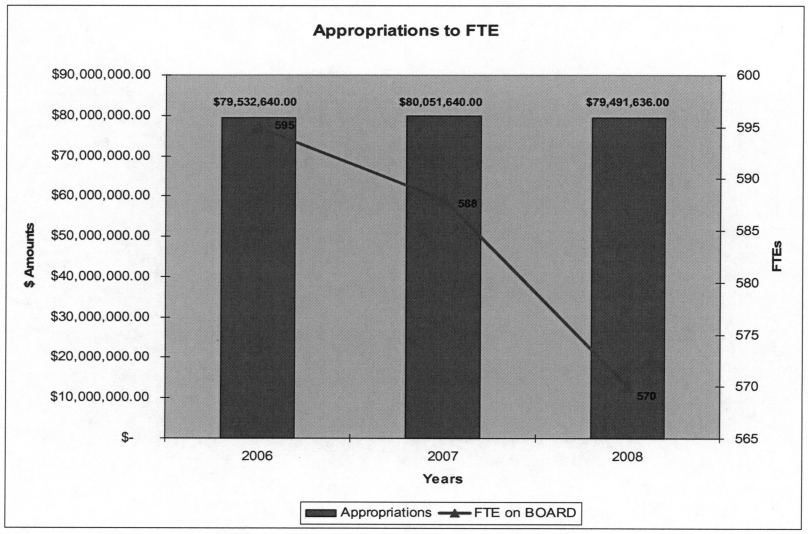
Finally, I would like to provide the subcommittee with information describing OIG's budget situation in fiscal year 2008 and the President's fiscal year 2009 request for OIG. We are very appreciative of the support this subcommittee has shown for OIG's work and your understanding of our need for resources to produce that work. We are providing this information to assist you with your review of the fiscal year 2009 budget request.

OIG's Current Budget Situation

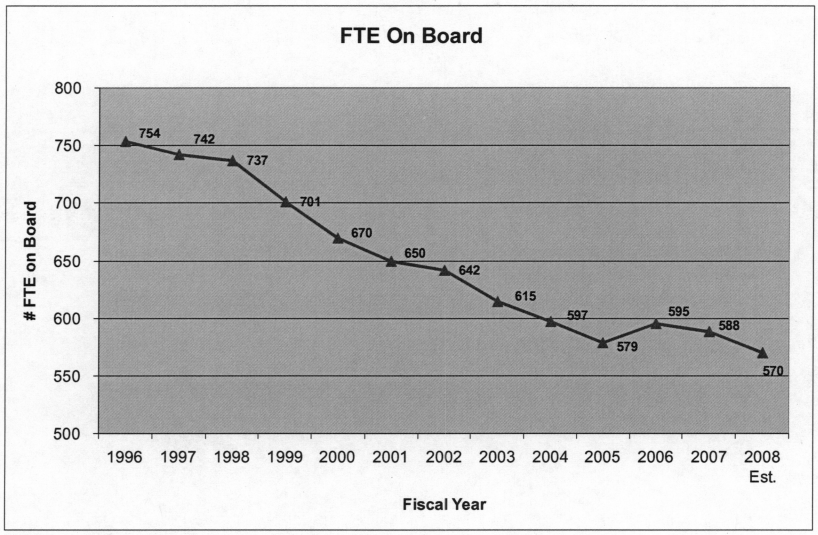
As the chart below demonstrates, OIG's Congressional appropriation was essentially straight-lined between fiscal years 2006 and 2007 and actually went down between fiscal years 2007 and 2008. For fiscal year 2008, the President had requested $83,998,000 in appropriated funds for OIG. OIG received only $79,491,000 (an appropriation of $80,052,000 minus a recision of $560,364). This does not include funding requested to cover the mandatory pay raise, allow OIG to expand its work on crop insurance issues, or make needed improvements to its IT infrastructure.

In order to live within these budget constraints, meet our mission as best we can, and fund legislatively mandated pay increases, OIG has now reached the point where it has instituted a hiring freeze with the goal of reducing staff levels. Our plan calls for OIG staffing levels to be reduced, through attrition, to 570 by the end of fiscal year 2008. This is a reduction of 18 staff from fiscal year 2007, which itself was a reduction of 7 staff over fiscal year 2006.

[18] Fire suppression costs for FS averaged $994 million annually from fiscal year 1998 through fiscal year 2006. Suppression costs for the 2007 fire season are estimated to exceed $1.3 billion.



Unfortunately, these reductions follow an extended period of decline for OIG staffing levels. In the 10 years between fiscal year 1996 and fiscal year 2006, OIG staff declined approximately 22 percent. With the reductions over the last 2 years, OIG has lost 26 percent of its work capacity in just a 12 years.



Staff reductions alone do not tell the full story of operational changes OIG has had to make. For instance, for fiscal year 2008 we have made a series of tough budget decisions to enable us to live within our appropriated funds.

—We postponed equipment purchases for the National Computer Forensics Division (NCFD), which are necessary to keep that unit within compliance with professional equipment and training standards.

—We postponed necessary training and equipment purchases for the Emergency Response Program (ERP).

—We cut a total of $900,000 from our IT budget. Most recently, we concluded that we would have to skip a year in our normal cycle of replacing one third of our laptops each year. We cannot suspend this replenishment cycle another year without finding ourselves in the position of having laptops that will not be compatible with the new operating system USDA is expecting to roll out in fiscal year 2009 or fiscal year 2010.

—We cut basically all other OIG discretionary spending (contracting, training, and travel) by an average of 8 percent. The travel cuts were particularly painful as they have a direct effect on the number and scope of the audits and investigations OIG can do. Where previously an audit might have included sufficient sites to support nationwide projections and recommendations, we will likely have to limit a number of our future audits to a regional scope.

President's Fiscal Year 2009 Budget Request for OIG

The President's Budget request for OIG for fiscal year 2009 is $85,776,000. The request would enable OIG to:

—Cover the mandatory pay raise costs expected for fiscal year 2009.

—Eliminate the hiring freeze and address critical vacancies.

—Purchase two new Storage Area Networks (SAN) to enable OIG to take advantage of data replication and disaster recovery options not available when OIG's current SANs (which go out of warranty in fiscal year 2009) were purchased.

—Make the delayed purchases to support our NCFD and ERP.

—Restore funds cut from Audit and Investigations travel, thereby increasing the scope of oversight work we can perform.

If, however, OIG does not receive the staff support and IT costs requested by the President, OIG would have to reduce staff further in fiscal year 2009. Should OIG not receive the requested funding, we estimate that it will be necessary to reduce the fiscal year 2009 staffing level by 21 staff, or almost 4 percent below the already drastically reduced fiscal year 2008 levels. OIG staff would then be down 30 percent since fiscal year 2006.[19]

OIG's ability to provide services to the Department, Congress, and the public is directly tied to the number of staff it can support through pay and related costs. Over the last 3 fiscal years, management has agreed to over 1,143 OIG recommendations for program improvements and over $1.8 billion in OIG financial recommendations and investigative recoveries. Those numbers—which are really just a statistical barometer of OIG's impact on Departmental operations—will most likely decrease as our staff continues to decline, as will our ability to do the types of work we summarized for you today in this testimony. We have done all we can to do more with less; we are now at that juncture where, in truth, we can only do less with less.

—In fiscal year 2008 alone, our Audit office will lose approximately 12 work years and $400,000 in travel funds. Several audits (including some identified as high priority) will need to be delayed; the scope of some audits will have to be reduced; and some audits will have to be cancelled outright. The following is a partial list of audits that have already been delayed and may have to be cancelled.

An audit of the National Organic Program, which was scheduled to start in January 2008, will now be delayed until August 2008. Organic food sales have grown between 14 to 21 percent each year since 1997. Sales of organic foods in 2006 exceeded $16 billion. However, with the staffing and travel requirements for this audit, the work will need to be split between 2 fiscal years to have sufficient resources to conduct the audit.

Audits addressing WIC vendor monitoring, new farm programs included in the Farm Bill, acquisition of IT software and hardware, the FSA comprehensive compliance system, and the RMA National Program Operations Review are being delayed, and no estimated start date has been set due to lack of currently available resources. These audits involve billions of dollars in program payments and analyses of agency internal control and compliance systems that help ensure program integrity.

—Should staff, equipment, and travel resources available to our Investigations office continue to diminish, OIG will have to increasingly limit our investigative

[19] This estimated reduction is based on the following assumptions: OIG would have to absorb a pay cost approximate to the $1.9 million we absorbed this year, the postponed NCFD and ERP enhancements would have to be funded at $.3 million, and one-third of OIG laptops would need to be replaced at approximately $.4 million. This would equal a total additional cost of $2.6 million that would have to be absorbed at OIG's current budget level. Estimating $122,000 per FTE, that would be approximately 21 staff.

focus only to those food safety and security issues that directly imperil public health. The resources dedicated to detecting and preventing fraud in USDA programs would have to decline, in order to preserve our ability to work on critical safety and security cases. Unfortunately, this reduced capacity for fraud investigations would likely end in greater cash losses to the Federal Government than are saved by the cuts to OIG.

It is to avoid further limitations on OIG's ability to provide independent, effective audit and investigations coverage to USDA programs and operations that we are asking for your support of the President's Budget Request for fiscal year 2009 for OIG.

This concludes my statement. I again want to thank the leadership of the subcommittee for the opportunity to submit testimony to you. I hope you will not hesitate to contact me should you have any questions or desire additional information.

PREPARED STATEMENT OF NANCY C. PELLETT, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, FARM CREDIT ADMINISTRATION

Mr. Chairman, members of the subcommittee, I am Nancy C. Pellett, Chairman and Chief Executive Officer of the Farm Credit Administration (FCA or Agency). On behalf of my colleagues on the FCA Board, Dallas Tonsager of South Dakota and Leland Strom of Illinois, and all the dedicated men and women of the Agency, I am pleased and honored to provide this testimony to the subcommittee.

I would like to thank the subcommittee staff for its assistance during the budget process, and before I discuss the role and responsibility of the Farm Credit Administration and our budget request, I would respectfully bring to the subcommittee's attention that FCA's administrative expenses are paid for by the institutions that we regulate and examine. In other words, FCA does not receive a Federal appropriation but is funded through annual assessments of Farm Credit System (FCS or System) institutions and the Federal Agricultural Mortgage Corporation (Farmer Mac). Earlier this fiscal year, the Agency submitted a proposed total budget request of $49,640,147 for fiscal year 2009. The Agency's proposed budget for fiscal year 2009 includes funding from current and prior assessments of $49,000,000 on System institutions, including Farmer Mac. Almost all this amount (approximately 82 percent) goes for salaries, benefits, and related costs.

MISSION OF THE FARM CREDIT ADMINISTRATION

As directed by Congress, FCA's mission is to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America. The Agency accomplishes its mission in two important ways.

First, FCA ensures that the System and Farmer Mac remain safe and sound and comply with the applicable law and regulations. Specifically, our risk-based examinations and oversight strategies focus on an institution's financial condition and any material existing or potential risk, as well as on the ability of its board and management to direct its operations. Our oversight and examination strategies also evaluate each institution's efforts to serve all eligible borrowers, including young, beginning, and small farmers and ranchers.

Secondly, FCA approves corporate charter changes and researches, develops, and adopts regulations and policies that govern how System institutions conduct their business and interact with their customers. If a System institution violates a law or regulation or operates in an unsafe or unsound manner, we use our supervisory and enforcement authorities to ensure appropriate corrective action.

FISCAL YEAR 2007 ACCOMPLISHMENTS

In fiscal year 2007 we continued our efforts to achieve our Agency's strategic goals through (1) effective risk identification and corrective action and (2) responsible regulation and public policymaking. FCA has worked hard to maintain the System's safety and soundness. We also continually explore ways to reduce regulatory burden on the FCS and to ensure that all System institutions are able to provide agriculture and rural America with continuous access to credit and related services.

EXAMINATION PROGRAMS FOR FCS BANKS AND ASSOCIATIONS

The Agency's highest priority is to maintain appropriate efficient and effective risk-based oversight and examination programs. Our examination programs and practices have worked well over the years and have contributed to the present overall safe and sound condition of the System, but we must continue to evolve and prepare for the increasingly complex nature of financing agriculture and rural America.

With the changes in the System and our human capital challenges within the Agency (i.e., pending retirements, normal attrition of staff, and the ever-increasing need for more sophisticated skills in the financial sector), we have undertaken a number of initiatives to enhance our skills and expertise in key examination functions. We have also realigned our organizational structure to make the best use of our resources. Our Office of Examination has completed its transition from a regionally-based field office structure to divisions of nationally-based examination teams. Office locations have been retained, but the examination programs are now managed nationally to better manage strategic risks faced by the FCS institutions.

On a national level, we actively monitor risks that may affect groups of System institutions or the entire System, including risks that may arise from the agricultural, financial, and economic environment in which the System institutions operate. Examiners use a risk-based examination and supervision program to differentiate the risks and develop individual oversight plans for each FCS institution. For example, the System has been a leader in lending to the ethanol industry from its infancy and continues to support this rapidly evolving sector. Our examiners watch the concentration risk in this and other areas to make certain lending is done in a safe and sound manner.

We set the scope and frequency of each examination based on the level of risk in the institution. Examiners base the scope of their oversight and examination activities on their assessment of an institution's internal controls environment and the ability of the institution's board and management to manage risks. Our regulations require FCS institutions to have prudent loan underwriting and loan administration processes, to maintain strong asset-liability management capabilities, and to establish high standards for governance and transparent shareholder disclosures. The frequency and depth of our examination activities may vary, but each institution is provided a summary of our activities and a report on its overall condition at least every 18 months as required by the Farm Credit Act. Most issues are resolved through corrective actions established in the Report of Examination or other communications. In extreme cases, FCA will use its enforcement powers to effect changes in the institution's policies and practices to correct unsafe or unsound conditions or violations of law or regulations.

As part of our ongoing efforts, we evaluate each institution's risk profile. The Financial Institution Rating System (FIRS) is the primary risk categorization and rating tool used by examiners to indicate the safety and soundness of an institution. FIRS ratings range from 1 (for a sound institution) to 5 (for an institution that is likely to fail). As of December 31, 2007, FIRS ratings as a whole continued to reflect the stable financial condition of the FCS: 83 institutions were rated 1, 14 institutions were rated 2, and three institutions were rated 3. Importantly, there were no institutions rated 4 or 5. In addition, no FCS institutions are under enforcement action and no FCS institution is in receivership. The overall financial strength maintained by the System remains strong and does not pose material risk to investors in FCS debt, the Farm Credit System Insurance Corporation (FCSIC), or FCS institution stockholders.

During fiscal year 2007, FCA also performed various examination and other services for the Small Business Administration, the U.S. Department of Agriculture, FCSIC, and the National Consumer Cooperative Bank. Each of these entities reimbursed FCA for its services.

REGULATORY ACTIVITY

Congress has given the FCA Board statutory authority to establish policy and prescribe regulations necessary to ensure that FCS institutions comply with the law and operate in a safe and sound manner. The Agency's regulatory philosophy articulates our commitment to establishing a flexible regulatory environment that enables the System, consistent with statutory authority, to offer high-quality, reasonably priced credit to farmers and ranchers, their cooperatives, rural residents, and other entities on which farming operations depend. This focuses our efforts on developing balanced, well-reasoned, flexible, and legally sound regulations. We strive to ensure that the benefits of regulations outweigh the costs; to maintain the System's relevance in the marketplace and rural America; and to ensure that FCA's policy actions encourage member-borrowers to participate in the management, control, and ownership of their Government-sponsored enterprise (GSE) institutions. For fiscal year 2007, the Agency's regulatory and policy projects included the following:

—*Young, Beginning and Small Farmers (YBS).*—The Board acted to ensure that all System institutions assist YBS farmers to enter, grow, or remain in agricultural or aquaculture production. A revised Bookletter, issued in August, provides guidance to all FCS institutions on interpreting the phrase "sound and

constructive credit" when applied to YBS farmers and ranchers and on extending credit to part-time YBS farmers who demonstrate a commitment to be full-time agricultural producers. The Bookletter further encourages System lenders to provide credit enhancements so that YBS farmers can qualify for financing, and it encourages System lenders to mitigate the risk of lending to YBS farmers by increasing coordination with other lending entities and sharing best practices.

—*Policy Guidance Provided on Rural Housing Lending.*—FCS institutions are authorized to provide rural housing financing for single-family, owner-occupied, and moderately priced dwellings, but System institutions had reported difficulties in applying the regulatory definition of a "moderately priced" rural home. In response, the Agency issued an Informational Memorandum providing answers about the regulatory definition of moderately priced housing, what is necessary to identify moderately priced housing values, and what data are acceptable to establish those values.

—*Disclosure and Reporting Final Rule.*—The Agency issued a final rule amending existing disclosure requirements for reports to System shareholders and investors. These amendments ensure that the System's disclosures and financial reporting keep pace with recent changes in industry practices, Securities and Exchange Commission regulations implementing the Sarbanes-Oxley Act of 2002, and Public Company Accounting Oversight Board auditing standards.

—*Final and Proposed Rule Updating the Farmer Mac Risk-Based Capital (RBC) Stress Test.*—We amended the RBC regulations in response to changing financial markets, new business practices, and the evolution of the loan portfolio at Farmer Mac, as well as continued development of industry best practices among leading financial institutions. The RBC is used to calculate Farmer Mac's regulatory minimum risk-based capital level. The rule is intended to improve the model's output by more accurately reflecting risk. In addition, we also proposed to further amend RBC regulations to update the recent additions to Farmer Mac's program operations, to address assumptions on the carrying costs of nonperforming loans, and recognize counterparty risks on nonprogram investments. The FCA Board is expected to act on this final rule in 2008.

—*Advance Notice of Proposed Rulemaking (ANPR) on Capital Adequacy.*—We issued an ANPR to solicit public input on appropriate changes to FCA's capital adequacy requirements for the System in light of Basel II proposals by the other Federal banking agencies.

The Agency has also adopted an ambitious regulatory and policy agenda for fiscal year 2008. The agenda includes the following goals:

—Finalizing a proposed rule to change the requirement for determining the eligibility of processing and marketing entities for System funding.

—Developing a proposed rule to describe how System partnerships and investments can increase the availability of funds to help stimulate economic growth and development in rural America. The System began using such partnerships and investments under a pilot program initiated during fiscal year 2005.

—Continuing to review current regulatory requirements governing eligibility and scope of lending to determine if these requirements are reasonable in light of agriculture's changing landscape. Agency staff will identify issues and explore options for the Board's consideration.

CORPORATE ACTIVITIES

The pace of System restructuring remained slow in fiscal year 2007. Only one corporate application was submitted for FCA Board review and approval during fiscal year 2007, compared with four applications the prior year. As of January 1, 2008, the System had 94 direct-lender associations and five banks for a total of 99 banks and associations. Seven service corporations and special-purpose entities brought the total number of FCS institutions to 106 entities. Through mergers, the number of FCS associations has declined slightly more than 45 percent since 2000, and the number of FCS banks has decreased almost 30 percent.

CONDITION OF THE FARM CREDIT SYSTEM

As noted previously, the System's overall condition and performance remained strong throughout 2007. The FCS is fundamentally sound in all material aspects, and it continues to be a financially strong, reliable source of affordable credit to agriculture and rural America. Capital levels continued to be strong, especially in consideration of the System's risk profile. Asset quality remained high, loan volume growth was strong, and the System earned $2.7 billion in 2007, a 13.8 percent increase from 2006.

Gross loans grew by 15.8 percent in 2007, compared with 16.2 percent the previous year. Nonperforming loans increased by $6 million to $621 million as of December 31, 2007. However, nonperforming loans represented just 2.35 percent of total capital by the end of 2007, down from 2.52 percent at the end of 2006. The System has earned more than $1 billion consistently each year since the early 1 990s; as a result, capital remains strong and is made up largely of earned surplus, the most stable form of capital. A strong capital position will help the System remain a viable, dependable, and competitive lender to agriculture and rural America during any near-term downturns in the agricultural economy.

FEDERAL AGRICULTURAL MORTGAGE CORPORATION

FCA also has oversight, examination, and regulatory responsibility for the Federal Agricultural Mortgage Corporation, which is commonly known as Farmer Mac. Congress established Farmer Mac in 1988 to provide secondary market arrangements for agricultural mortgage and rural home loans. In this capacity, Farmer Mac creates and guarantees securities and other secondary market products that are backed by mortgages on farms and rural homes. Through a separate office required by statute (Office of Secondary Market Oversight), the Agency examines, regulates, and monitors Farmer Mac's disclosures, financial condition, and operations on an ongoing basis and provides periodic reports to Congress.

Like the Farm Credit System, Farmer Mac is a GSE devoted to agriculture and rural America. FCA and the financial markets recognize Farmer Mac as a separate GSE from the System's banks and associations. Farmer Mac is not subject to any intra-System agreements or to the joint and several liability of the FCS banks, nor does the Farm Credit System Insurance Fund back Farmer Mac's securities. However, by statute, in extreme circumstances Farmer Mac may issue obligations to the U.S. Treasury Department to fulfill the guarantee obligations of Farmer Mac Guaranteed Securities.

CONCLUSION

In conclusion, we at FCA remain vigilant in our efforts to ensure that the Farm Credit System and Farmer Mac remain financially strong and focused on serving agriculture and rural America. It is our intent to stay within the constraints of our fiscal year 2009 budget as presented, and we continue our efforts to be good stewards of the resources entrusted to us in order to meet our responsibilities. While we are proud of our record and accomplishments, I assure you that the Agency will continue its commitment to excellence, effectiveness, and cost efficiency and will remain focused on our mission of ensuring a safe, sound, and dependable source of credit for agriculture and rural America. On behalf of my colleagues on the FCA Board and at the Agency, this concludes my statement and I thank you for the opportunity to share this information.

AUDITS OF SLAUGHTER PLANTS

Senator KOHL. Thank you very much, Mr. Secretary.

We would like to thank you again for testifying last month about the Westland/Hallmark beef recall. I believe that was a productive hearing. We have been following up with your staff since then. We are drafting a bill that gets at this issue from several angles, which will include a potential downer ban. I believe we need to continue working on this and I am hopeful we can achieve an accord.

Yesterday, Mr. Secretary, I received the results of the audits of slaughter plants under contract with USDA for nutrition programs, to which you referred. As you said, you audited 18 plants. If you add in the plant at Chino, there are 19 total plants actively participating in the Federal nutrition programs. Of these, two had offenses serious enough to require a notice of suspension. While it is just two, it is over 10 percent of the total that were audited.

In early March, the Las Vegas Sun quoted you as saying that you would not be surprised if there were more plants like the one in Chino out there and that hiring additional inspectors will not help because "if they're going to break the rules, then they're going

to break the rules." These remarks did trouble me a bit, especially if 10 percent of the plants have serious problems, because they suggest that perhaps USDA has reached a limit in what it can do to improve food safety.

So we would like to give you a chance to elaborate and clarify. Do you really think that USDA cannot do a better job? And what action has USDA taken since our hearing and what action is planned?

Secretary SCHAFER. Thank you, Mr. Chairman. As we did point out in the letter to you yesterday, we have done audits at 18 facilities. I appreciate you bringing up the Hallmark/Westland plant as number 19, but as you know, that is not operating. It is in suspension.

The three issues where we found problems in humane treatment of animals were not on a downer cow situation. They were things like crowding in the pens. It was bunching up of cattle going into the stunning operation and excessive use of stunning sticks or the prodders. Those facilities have been corrected.

As we look at this, we are confident that USDA can do a better job. We have redirected our inspectors. We are rotating the inspectors, the time they are coming in and out of the facilities. As you know, the plants cannot operate unless the inspector is in place, as we do a carcass-by-carcass inspection of every cow that goes through the process.

As we have looked at the inhumane treatment of animals, you will also notice in the investigation that we sent you yesterday that all facilities have cameras and surveillance in some portions. Many of them have them in the stunning area and in the pens as well. So we are looking at ways that we can better observe. We have helped train our inspectors to observe while being unobserved so that they can properly watch over the system. And I do believe that the result of our investigations, when we get completed, will allow us to make some further changes to enhance the process. But we believe that the USDA inspectors and veterinarians are capable, are hard-working and committed to their jobs, and we think we can direct them in the proper place so that this does not take place again.

OIG REPORT

Senator KOHL. In your statement, you talked about the OIG report. Can you estimate when that report will be complete?

Secretary SCHAFER. I cannot, Mr. Chairman. I met with the OIG officer a few days ago, and as you know, that is an independent investigation arm and we do not have the legal relationship for them to include us in the timing and the depth of the investigation. But we were urging them to get it done as soon as possible because we are working on efforts to assure the people of the United States that we have a safe food supply out there, and as we start enhancing the message on safe food, we want to make sure that we incorporate the results of the investigation.

RECALLED MEAT

Senator KOHL. Can you tell us whether all of the recalled meat from the school lunch program has been identified, collected, and destroyed?

Secretary SCHAFER. Sir, I think all of the meat has been identified. It has been contained. Most of it has been destroyed. All of it has not.

Senator KOHL. What do you want us to take from that statement, or what would you want the public to take from that statement?

Secretary SCHAFER. It was put on hold. Once we started the recall, all meat that went into the school lunch program was identified. It was contained. We purchased meat to replace product taken from the schools. And so as we are going through that process, we are destroying that meat as we go. We are not complete with that process, so I know there is still some that is contained, identified, but not totally destroyed. And we are reimbursing those schools for the costs in doing so.

Senator KOHL. All right.

WIC PROGRAM

Before I turn it over to Senator Bennett, I would like to discuss WIC with you a bit. As you know, we need to start talking about WIC immediately. The President's request last year was $633 million short of what was ultimately needed. We had to come up with the difference and we were forced to do it without any input from USDA. We do not want to repeat that situation, I think we could agree. So we have asked USDA for monthly reports on participation and food cost estimates.

We did receive the second of these reports yesterday, and in a nutshell, in the current fiscal year will be short somewhere between $65 million and $100 million, even after releasing the entire contingency fund. The report says that you are looking at available options to address this problem.

What options are you considering? As you know, we are currently working on a supplemental appropriations bill.

Secretary SCHAFER. Maybe I could get the best answer from Scott for you, as we look at these dollars. As we looked at the budget, we planned on an 8.6 million participation level and also increased the budget based on current food costs and estimated food costs. We think that the budget does reflect the proper dollars for the participation and cost level. But maybe Scott could give us a few more details.

Mr. STEELE. Yes, thank you, Mr. Secretary.

Mr. Chairman, the shortfall that was identified in Under Secretary Johner's letter to you identified a shortfall for 2008, the current fiscal year at somewhere between $65 million and $100 million.

There are some options we are looking at. We have used the Secretary's interchange authority in prior years and we are looking at that option as a possibility. We are in discussions with OMB on that. We have not yet defined exactly what we are going to do.

We have yet some more time here in April and maybe part of May to figure out a solution to that problem. We certainly will be in touch with the committee in terms of how we are going to resolve that and whether we need to discuss some options with you in terms of resolving it.

For 2009, we are still staying with our current participation estimate, as the Secretary just indicated, the 8.6 million. We are looking at that estimate, obviously, on a monthly basis. We will be doing our mid-session review estimate in July, which would be an official estimate by the executive branch. OMB would be clearing off on that. A revised estimate would come to Congress in July.

But as you say, we are on an ongoing basis, looking at this, submitting our monthly reports to you, and we will try to keep abreast of it and identify problems that we see coming forward.

It is our biggest discretionary program, as you know. It is over $6 billion a year. It is rising rapidly. As the Budget Officer of the USDA, I am concerned about the funding for the program given it is a discretionary program. So we are going to have to work closely together to try to resolve this.

Thank you.

Senator KOHL. Thank you. I think we can all agree that it is something that needs to be monitored, as you have suggested, very, very closely. WIC needs to be funded. It is really not something that we have discretion in terms of whether we will or will not. We know we are going to have to fund WIC. And if we do not work very closely, then we will be caught in a very serious situation, and I think collectively we do not want that to happen. So we do look forward to working with you in an honest, forthcoming, and timely manner on WIC.

Senator Bennett.

Senator BENNETT. Thank you very much, Mr. Chairman.

PUBLIC LAW 480 TITLE II GRANTS

Secretary Schafer, the supplemental request from the President contains a request from you for additional funding for Public Law 480 Title II grants of $350 million. The supplemental last year contained a request for $350 million. The supplemental for the year before that contained a request for $350 million.

This is a pretty strong coincidence, that for 3 years in a row, you have asked for an additional $350 million and it raises the question, why do you not just put $350 million in the regular budget and be done with it? Is this request really based on unanticipated needs and is it just a coincidence? Help us understand why there is not something in the regular budget for this.

Secretary SCHAFER. Well, we think that the budget reflects a prioritization among the competing demands for international humanitarian assistance. This budget request really addresses the most severe and critical emergency food and needs overseas.

As far as the specifics, I will turn to our Budget Officer, Scott Steele, for information on the specific programs.

Mr. STEELE. Thank you, Mr. Secretary.

Mr. Bennett, yes, the Department of Agriculture does not unilaterally decide on the level for Public Law 480, Title II assistance. As you well know, the Title II program is operated by USAID.

Senator BENNETT. Right.

Mr. STEELE. And they have people in the field. As you know as well, the foreign assistance situation is a very dynamic situation right now, and we have the issues in Darfur in Sudan and other places that are——

Senator BENNETT. I am not questioning the need for it.

Mr. STEELE. Yes, I understand what you are saying. It has gone on repeatedly and we do have other options to consider as well. We have the Emerson Trust as something that could come into play here at some point as well.

I do not have a good answer for you in terms of why the Department's budget did not reflect the additional $350 million in terms of a request. You are right. It continues on as a major problem in funding food assistance. We will try to provide more information for the record, if that is okay.

[The information follows:]

PUBLIC LAW 480 TITLE II BUDGET REQUEST

International emergency food assistance needs have been unusually high in recent years due to a variety of causes, both man-made and natural. The United States has continued to demonstrate leadership in responding to those needs, including through the provision of food aid commodities under the Public Law 480 Title II program. In order to do so, in certain years supplemental appropriations have been requested for the Title II program to meet the extraordinary levels of emergency need.

Many factors are considered in developing the annual budget request for the Public Law 480 Title II program, including what level of funding should be included for emergency programming. This effort is complicated because development of the annual budget submission begins more than a year before the start of the fiscal year. That time frame makes it difficult to project with accuracy what the level of emergency needs will be during the course of the year and, therefore, difficult to budget for them with certainty. As a result, there may be years when emergency needs exceed the level provided through the annual appropriations, and the administration will need to consider what steps are necessary to ensure the United States can respond to extraordinary emergencies. One option for doing so is to request supplemental appropriations.

However, in responding to unanticipated emergencies there are alternatives to a supplemental appropriations request. For example, one option is authorizing a release of commodities or funds from the Bill Emerson Humanitarian Trust. The Trust specifically provides for the commodities to be programmed through Title II to provide a humanitarian response to unanticipated, emergency food aid needs. On April 14, 2008, the President directed the Secretary of Agriculture to release commodities from the Trust to meet emergency food aid needs abroad this year; this action is expected to provide an additional $200 million of assistance.

In addition, in recent years the President's budgets have included a request for authority for the Administrator of AID to use up to 25 percent of annual Public Law 480 Title II funding to purchase commodities in countries closer to where they are to be donated. This authority would facilitate the donation of a higher level of commodities as savings achieved in transportation and distribution costs would be available for additional commodity purchases. Approximately 60 percent of annual Title II funding is used for non-commodity costs for the program, which includes ocean freight expenditures. Consequently, the savings achieved through enactment of this proposal could be substantial, and those savings would be extremely helpful in responding to unanticipated emergency situations.

All of these factors—the uncertainties inherent in projecting emergency response needs, the availability of the Bill Emerson Humanitarian Trust, and the proposal for overseas purchases—were considered in developing the President's budget request for the Public Law 480 Title II program for 2009. At the same time, the resource requirements for Title II had to be weighed against competing claims for funding from many other worthy programs that assist the American public, including through agriculture, rural development, and food and nutrition programs.

Senator BENNETT. Yes, that will be fine. But give some serious consideration to building it into your regular budget because every

spring there is a supplemental and every spring it is for $350 million. It appears to say that amount regular budgeting procedures ought to be able to anticipate that amount and put that in the annual budget.

COMMODITY PRICES

Let me go to the issue that I mentioned in my opening statement, which is commodity prices. They have shown a drastic increase both in the cash prices and in the future market and have had a drastic ripple effect across all areas of agriculture. The rising prices have made it more expensive to feed a family, but it has also driven up the participation rates of the various programs that are involved in this, WIC, food stamps, et cetera. There are States now where one in six people are on food stamps, which is not what we had anticipated.

How is the Department dealing with the unpredictability of the costs and the subsequent unpredictability of the participation in these programs? And, Dr. Glauber, I would be interested in having your take on what the primary cause of these increases would be.

Dr. GLAUBER. In terms of the underlying cause, there is no question there is a number of things going on in world markets. People point, one, to the rapid expansion of area devoted to biofuel production. That is certainly important.

But I think in looking at the overall food price picture certainly in the United States, there is a number of other things to consider. Dairy prices. We have seen very, very high dairy prices. Of course, dairy products figure heavily in a number of budgets, of food aid program budgets. Most of that increase I think could be attributed to declining milk production in New Zealand and Australia. They have had very serious droughts over the last couple years. World dairy prices have been very high as a result.

So I would attribute that less to sort of high corn prices, although there is no question that the sectors themselves are feeling the pinch of higher feed prices.

The other big thing, of course, in a very visible price increase both on futures markets but also at the grocery store, has been bakery products. There have been underlying wheat problems. That too is largely a problem of overseas production. There was also a very short crop in Australia. There was also a poor crop in Canada this year. There was a poor crop in Europe this past year. They are all expected to rebound production, but in the meantime, we saw futures prices hit as high as 20 percent, and not surprisingly, that is being reflected in bakery products and other cereals and other sorts of things.

Now, this past year 2007, we saw inflation, CPI for food, around 4 percent, which is certainly higher than the 2.5 percent or so that we have averaged for a long time over the past 5–7 years. This year we are seeing slightly higher increases. We are thinking somewhere between 3.5 to 4.5 percent. Some of that is largely because big components of the food price bill are meats. We are seeing flat meat prices. In fact, in some cases for pork, we have seen some decline in prices.

Senator BENNETT. People in WIC usually do not eat that much meat.

Dr. GLAUBER. No. That is right.

Senator BENNETT. The grain situation——

Dr. GLAUBER. No. You are absolutely right.

Senator BENNETT [continuing]. Hurts them far more.

Dr. GLAUBER. That is right.

So if you focus on individual components, dairy, for example, is big. Again, I think that we are seeing dairy prices come down and we are likely to see some decline in dairy prices this year.

So you are absolutely right, and that is part of the previous question, of course, on food aid overseas. That is also a big component there where, certainly in lower income countries, the price of the underlying commodity as a proportion of the overall price that consumers pay is much, much higher than it is in the United States.

Senator BENNETT. Are you anticipating that the price will come down? The President's budget projects an increase of 2.3 percent, which is in line with what you have just said. Are conditions in Australia and New Zealand and Europe——

Dr. GLAUBER. Yes. We are expecting production to snap back in that region. They had 2 years of back-to-back droughts, and it looks like conditions are returning more to normal there. We are expecting a better crop in Europe.

But it is important to understand that on the other hand, we are looking at a very, very low stock situation, and I do not want to minimize that. We have very low wheat stocks. We have very low corn stocks, both near historic lows, given the size of the economy now compared to, say, 50 years ago, very, very low stocks-to-use ratio, which is a critical factor when we look at price projections.

And for that reason, I think the markets will be focused very much on weather this year, and what we see in terms of the crop progress over the next 4 or 5 months I think will be very critical.

Senator BENNETT. So you talk about the wheat price. Is that driven in part by the desire to plant more corn and thus take up acreage that would otherwise be planted in wheat? We hear that theory.

Dr. GLAUBER. I would say maybe to a limited degree. There is competition there. Understand that a lot of the area that is planted to wheat in a lot of the areas is less suitable for corn. Now, when corn gets to be $5 to $6 a bushel, a lot of areas look a lot better than they might have when corn was going at $2. But I think——

Senator BENNETT. Just like oil.

Dr. GLAUBER. Yes, that is right.

But we do expect wheat prices to come down as the world crop comes on. Again, I think that a lot will depend on the size of the northern hemisphere crop this summer. Our plantings are actually up this year for wheat. So people were able to plant more wheat despite the competition with corn and very, very high soybean prices.

Senator BENNETT. Thank you. That was helpful.

AFRICAN WHEAT STEM RUST

I understand, Mr. Secretary, that you need to do what you can to deal with the President's desire to balance the budget overall, and I also understand how OMB sometimes can be less sympathetic to programs that the Department might think makes some

sense. I am not going to put you in the position of having to argue with OMB, but let me point out one thing to you.

In the November-December issue of Agriculture Research, which is the science magazine that is published by USDA, there was an article entitled "World Wheat Supply Threatened!" Whenever a scientific journal uses an exclamation point you know they probably mean it. It was about the Department's efforts to combat African stem rust with the very interesting numerical designation, UG99. It sounds like a really weird Web site. But this is a highly virulent and aggressive stem rust. It spread rapidly throughout Africa and into the Middle East, threatens world barley, wheat production and food security. And coming after the answer we have just gotten from Dr. Glauber as to the importance of what is happening in the rest of the world with wheat production, you would think this is a very big deal.

Most experts believe it will eventually reach the United States where both barley and wheat varieties are highly susceptible. And your budget proposes eliminating the funding of research at St. Paul, Minnesota that supports the agency's lead scientists working on African stem rust. It is not a big amount of money. It is $308,000.

I will not ask the question of whether this is something that ended up on the cutting room floor at OMB and that you proposed. Deputy Secretary Conner, be careful about your nods. They might get noticed somewhere.

But I simply make the point that I would hope we can find that $308,000 and maybe a little more because, again, given the answer we got from Dr. Glauber, we could end up spending millions, if not billions, if this particular disease gets into the American production pattern. And a few hundred thousand right now might make some sense.

Secretary SCHAFER. Yes, Senator. We estimate that 75 percent of the wheat strains in the United States are susceptible to that rust. Maybe our Deputy Secretary could outline the reasons that were taken here and also the approach we are taking to consider this issue and its impact on the wheat supply in the United States.

Senator BENNETT. I do not need to take any more time of my colleagues. You can supply that for the record.

Secretary SCHAFER. We will.

[The information follows:]

STEM RUST RESEARCH

The Agricultural Research Service (ARS) is leading a national cereal rust research effort and is making key contributions to supporting international cooperative efforts through the Global Rust Initiative to address the new African wheat stem rust. Fiscal year 2008 ARS wheat stem rust funding is $1.1 million. ARS scientists are developing diagnostic tests for rapid identification of the disease should it enter the United States and are contributing to monitoring and surveillance. Additionally, ARS is also developing and testing several new techniques that show promise in monitoring of wheat stem rust epidemics and for characterizing new races of cereal rust pathogens. A set of microsatellite DNA markers for the stem rust fungus has been developed; these workers are useful in tracing the geographical origins of new races of stem rust. Seedling evaluations are being conducted against African stem rust races to test the susceptibility of U.S. wheat varieties. ARS funding for wheat stem rust in fiscal year 2009 is estimated to be $944,000. The 2009 Budget proposes to eliminate all ARS earmarked funding, including $308,000 at the Cereal Disease Laboratory at St. Paul, Minnesota.

In fiscal year 2008, the Cooperative State Research, Education and Extension Service (CSREES) plans to fund 1–2 competitive grants totaling $248,000 for aerobiology modeling of Ug99 for assessing potential pathways, timing of incursion and to support rust surveillance. An additional $20,000 in Hatch Act funds will support wheat stem rust research. In fiscal year 2009, CSREES estimates $20,000 in Hatch Act funds will support wheat stem rust research.

Senator BENNETT. I will simply indicate that as far as I am concerned, I would like the committee to put that $308,000 back and help you out.

FOOD COSTS FOR WIC PROGRAM

Finally, let us talk about WIC some more. The food costs have increased enormously. Participation has gone up, demonstrating the inability of people to find the necessary food on the basis of their own salaries. As these costs go up along with the signs of the weakening economy, people need help with food.

We have asked for a report from the Department. In the report accompanying our fiscal year 2008 appropriations bill, we requested monthly reports on amounts necessary to fund WIC in fiscal year 2009. We were hoping to avoid the situation we had in fiscal year 2008 where the subcommittee had to provide $633 million above the President's request when we had not previously heard any information from the Department that WIC needs had increased. So the $633 million was a surprise.

The reports were to include projections for food costs and participation and clearly explain how those projections differed from the assumptions made in the budget request and how they would impact the WIC program in 2009.

Well, we got the first report. It was 2 months late, and unfortunately, it was inadequate. The second report was significantly better, but still did not provide an assessment for what the current participation trends and food costs mean for the fiscal year 2009 budget. And I would like to know why the report has been delayed, and do you think the level of detail in future reports can be adequate to the needs that we have talked about?

Secretary SCHAFER. Thank you, Mr. Chairman. I would note——

Senator BENNETT. You are promoting me. The chairman is to my right.

Secretary SCHAFER. I am sorry, Senator Bennett.

I appreciate all of your concerns about this WIC issue. We do use our best estimate of participation of 8.6 million participants in this program for the 2009 budget.

As for the reports, I am going to ask the Deputy Secretary to talk about the process of getting you more timely reports with the information you need.

Mr. CONNER. Senator Bennett, it is certainly our full intention to comply with those monthly requests. Again, I think we would acknowledge the first report—, we were ironing out some of the kinks, and I think the one we got to you recently, I think late last week, I believe is much more in line with what the committee has in mind to monitor this.

We have a little bit of a problem here, as you know, Senator Bennett, the development of a Federal budget is a 7-month process that we will begin again around the first of August for next year's budget. In this last budget, I will tell you that during the course

of time that we were developing our budget, the numbers were changing on WIC pretty substantially and we were chasing that number a little bit, if you will. There is a 3-month delay in the data in terms of it coming in, and so it requires a little bit of time to filter that into the process.

We are going to get you the absolute best data that we have got as quickly as we have it available. You do not need bad data from us, and obviously, we do not want to give you bad data. But as soon as those numbers become available, we are going to get that information to you. We want to work with this committee. And I will tell you OMB wants to work with this committee as well.

We had excellent cooperation with them in the development of this year's budget in that, late in the game, we came in and said our numbers show the need for more for WIC. They gave that to us, frankly, without asking us to take it out of anywhere else. And so we have had good cooperation.

This is one of those unfortunate circumstances where the numbers are changing quicker than what our system oftentimes is prepared to deal with. But I think between your work and the information we provide, we will get through this and get you the information you need to make the right decisions here.

Senator BENNETT. Thank you very much, and thank you, Mr. Chairman. You have been very generous with allowing me this time. I appreciate it.

Senator KOHL. Thank you very much, Senator Bennett.

Senator Craig.

Senator CRAIG. Mr. Chairman, thank you very much.

Mr. Secretary, gentlemen, thank you for being with us.

Mr. Chairman, let me ask unanimous consent that any opening remarks that I prepared become a part of the record.

Senator KOHL. It will be done.

Senator CRAIG. Thank you.

COMMODITY PRICES

Mr. Secretary, I would like to ramble a bit because, obviously, the chairman and the ranking member have picked up on rising food costs and its impact on poorer people and the need to fund those programs.

Having said that, I am an unabashed supporter of high commodity prices because it is doing something to American agriculture that you and I and others have fretted and stewed about for decades. How do we change the aging trend in the American farmer? How do we change the disinvestment in the agricultural portfolio and see reinvestment of a kind that will keep agriculture modern and aggressive and ongoing?

And the way you do that is profitability and higher commodity prices. For whatever reason, the last few years have created some of those trends. There is no doubt about it. You go into farm country today. You walk across it. You hear a dad saying, you know, my son has just decided to come home and farm with me or my daughter has. And 5 years ago, they were not even talking about that. Why? Because they can come home to a lifestyle and a business that has some dynamics to it today. That is very exciting to me.

I drove by a—I will not give the brand name—an implement lot recently, and there were 55 new combines sitting on the lot. And I asked a farmer in the area: Who is going to buy all those combines? And he smiled and said, Larry, they are already sold. There is not a combine available in the market today for another 6 to 8 months. The same way with tractors. Farmers are reinvesting in the agricultural portfolio of America because it is profitable. For what reason? A lot of reasons.

I just returned from Ottawa yesterday, Mr. Chairman, from looking at a cellulosic ethanol plant, knowing that that is where we have got to go because some would argue, gee, we have disrupted the food chain with corn-based ethanol. And this Congress is now aggressively awakening to the reality that we have become so dependent on foreign oil, we ought to become independent of it. And we are working to get there now. It is a good deal. It is a good idea.

At the same time, on the way back from Ottawa last night, I for the first time was spending more time reading the ethanol magazine, and I was counting the number of new plants under construction as we speak. That represents about 4.2 billion gallons annually coming into the market in the next 12 months. Now, that is in addition to the current 7.8 billion gallon capacity. All of a sudden, we are bumping the 15 billion that we thought would be the limit for corn-based, very, very quickly. That is pretty exciting. But it also demands that we do our part.

And it is going to be very fascinating, Mr. Chairman, to see the land base shift out there and adjust. There are already all kinds of reactions going on about how that happens.

So with all of this new positiveness comes a kind of a stress and a need for research and the types of things that USDA, in cooperation with its land grant universities, have done so very well over the years. And your budget dramatically reflects the opposite. And that is very frustrating to me. Yes, profitability brings new investment in American agriculture, but the kind of research that Senator Bennett was talking about, as it relates to that rust, the other kinds of research that keep pushing us to the cutting edge in technology to advance these causes in American agriculture today is phenomenally important. And I do not think your budget adequately reflects that.

FARM BILL

Let me turn to another issue. The week before last, I spent a week traveling around Idaho, talking to farmers and ranchers, mostly regarding agricultural issues. All are very frustrated that we cannot work out this farm bill issue. It is a symbol of the inability of a government to function and function in a timely and responsible manner. And you can and I can make all of the excuses, and it really does not quite fit. It speaks to our collective dysfunctionality. And so we ought to really work to get it done and not extend it for another period of time in my opinion and I think the opinion of American agriculture. I think I am reasonably reflective of that.

We are going to become the third largest dairy State in the Nation. We have got about 560,000 cows milking in Idaho right now. So we are going to break those numbers very quickly, and that

brings both opportunity and problems. Research again becomes very, very important to us, how you manage large herds and how you manage waste and all of that. That is in cooperation.

But the biggest issue that is not, nor can it be, reflected by this budget—but I would hope that it would become reflected by your rhetoric—is the biggest in Idaho agriculture today, and it has been a long time coming because they have been hiding behind their combines or hiding behind their cows because the issue was so politically charged they did not want to deal with it and now they have got to. And that is the hands to milk the cows and operate the equipment and work the rows. It is labor.

American agriculture last year guesstimated—and maybe our economist can tell us we dropped $8 billion at the farm gate, rotted in the fields, could not pick it, could not deliver it, could not process it. I have got potato lines in our plants in Idaho down right now because we cannot supply them with workers. And it is possible, even though we have become very good at storing spuds, that some might rot in the cellars because we cannot get them into the boxes and out to the market. And we talk about prices going up, and yet we cannot deliver to the market.

We have lost maybe a quarter of a million acres of vegetables in the San Joaquin Valley in this cropping season. It has gone to grains and hays and other things because their hands are not there. And those acreages have moved across the border into Mexico and gone on to Chile and possibly to Brazil.

The exportation of American agriculture production today, because this Congress cannot get it right about immigration, is tragic. And there is a bit of a panic in farm country as to what we do because we have not done what we need to do. And our borders, which we should secure, are securing.

Well, that is an extension to my opening remarks, a bit of a diatribe, but a very important one I think.

Am I out of time, Mr. Chairman?

Let me thank you, now that I have had your ear, for potato cyst nematodes and the resources that you have helped provide the potato industry in Idaho when we had an outbreak and have worked to contain that problem and are doing quite well by it now, a potentially ruinous problem to a $2.9 billion potato industry. And we need a little more help there. The work that has been done I think has been very effective in its eradication, at least in its containment and hopefully its eradication. A very little amount of money, but $1.8 million goes a long way because farmers and researchers know how to stretch it. So we cannot compromise. We have got to finish it and complete it. We have isolated it and we hope to have your help in doing so.

Lastly, food safety issues are critically important. The funding of the National Veterinary Medical Services Act is awfully important to us.

From those standpoints, the budget is inadequate. And I understand the squeezes. We will work with the chairman and the ranking member to resolve these issues. I did not think that a continuing resolution for budget purposes this year, because of the politics that America is in right now, would be a good idea because it talks about our inability to get things done. But in all fairness,

Mr. Secretary, when I look at your budget, maybe it is not a bad idea, at least for the short term.

PREPARED STATEMENT

I really have no questions of you. We will put the rest in writing. But there is a lot of good news and a lot of frustration out in farm country today. And I do not mind us moving away from a cheap food policy. We just need to simply make sure that those who cannot afford food are cared for at a time when profitability and investment are returning to the agricultural portfolio of America.

Thank you.

[The statement follows:]

PREPARED STATEMENT OF SENATOR LARRY CRAIG

Thank you for appearing before us today to discuss USDA's fiscal year 2009 proposed budget.

We are in an interesting time given the current status of farm bill negotiations. There is a great deal of uncertainty among our Nation's farmers and ranchers regarding what the next 5 years of farm policy will look like.

I hope that we can finalize this process and get it to the President—and that he will sign it—to give some much-needed certainty to our farmers and ranchers that are right now making planning decisions in the dark.

I understand the difficulty of putting together a budget under these uncertain circumstances. Couple that uncertainty with an extremely tight budget and we have a serious challenge on our hands.

Without spending too much time parsing over the elements of the Department's budget proposal with which I agree or disagree, let me just point out a few particular areas of concern.

The first is in regard to agriculture research. I think we all agree that the current status of our domestic agriculture industry is a product of decades of innovation—fueled by a strong investment in agriculture research.

Though I appreciate the idea of more collaboration and greater "efficiency" in research, I become very concerned about the consequences of terminating or drastically under-funding critical areas of research in this country.

One of the research units proposed for termination is the ARS Land Management and Water Conservation Research Unit in Pullman. This unit has played a leading role in the development of science-based solutions to agricultural and environmental problems of the Pacific Northwest.

We must not lose sight of the value of our land grant institutions, and the value of the formula dollars that we direct their way. Many of our land grant universities—including the University of Idaho—utilize those formula dollars to invest in extremely valuable long term, core agricultural research programs that cannot be effectively managed or supported through multi-state or short term granting mechanisms.

Switching gears, I believe that your dedication to the areas of pest and disease management is extremely vital to the health of our domestic agriculture industry.

Take, for example, our collective efforts over the last year or so to eradicate potato cyst nematode. This pest threatened to devastate our State's potato industry, and that of the nation.

Thanks to adequate funding and a rapid response, we have likely prevented this pest from becoming even more expensive to control, and more devastating to the industry. Our work there is not done yet—we need to continue to provide adequate funding for programs like this to remain effective.

Likewise, the USDA has a significant challenge in safeguarding the health of our Nation's livestock—for purposes of national security, public health, the safety of our food supply and health of our animal agriculture industry.

I am encouraged to see that USDA continues to focus on this area, reflected by an increase in the budget for disease monitoring, surveillance and response programs.

However, I fear USDA continues to miss a key priority in bolstering the numbers of our "first responders"—those large animal veterinarians willing to practice in rural areas; a breed that is largely disappearing.

Smaller farms in rural areas of Idaho are facing significant—and growing—challenges in finding veterinarians to service their herds. We have several counties in

Idaho without a single food animal veterinarian. Several counties have upwards of 50,000 food animals per food animal veterinarian. Rural, large-animal veterinarians are themselves becoming an endangered species, and we must do something to restore their "population." If not, we risk losing the important first responders when it comes to disease threats.

There is immeasurable value in dollars spent to find solutions to current and emerging animal diseases. However, if there is no one to identify, prevent and treat these diseases once they emerge, our money spent on research is much less fruitful.

I point out only a couple of these issues to highlight the difficult job ahead of utilizing limited dollars wisely.

I look forward to working with you, Mr. Secretary, as we move forward on our fiscal year 2009 priorities.

Senator KOHL. Thank you, Senator Craig.

Senator Cochran.

Senator COCHRAN. Mr. Chairman.

Thank you, Mr. Secretary, for being here and helping us understand the President's budget request for the Department of Agriculture and related agencies.

Let me first ask unanimous consent, Mr. Chairman, that my prepared statement be printed in the record.

Senator KOHL. Without objection.

[The statement follows:]

PREPARED STATEMENT OF SENATOR THAD COCHRAN

Mr. Chairman, thank you for holding this hearing on the fiscal year 2009 United States Department of Agriculture budget. I welcome Secretary Schafer to the committee. I would also like to congratulate Dr. Joseph Glauber on his recent appointment to Chief Economist for the United States Department of Agriculture and look forward to working with you and your staff.

An important aspect of the Agriculture appropriations bill is the funding it provides for agriculture research. This research is a critical part of ensuring that U.S. producers remain the leaders in food and fiber production. The funding this bill invests in agriculture research is a small sum compared to the economic benefit it has on a farmer's bottom line. I am concerned about the administration's recommendation to reduce agriculture research

funding by $170 million from last year's enacted level. Agriculture Research continues to influence production agriculture by giving producers better varieties for quality and yield, identifying new methods for treatment of pests and diseases, and developing agriculture practices that reduce environmental effects such as sediment runoff and carbon release. Congress should continue to make investments in agriculture research.

The requested increase of $480 million for the Women, Infants, and Children Program provides evidence that the rising cost of food continues to be a problem for both the Department and consumers. This problem is not limited to the United States. The United Nations' World Food Program announced that from October 1, 2007 through February 1, 2008, the cost of its program rose 41 percent in that 5 month period. Congress has been able to allocate additional funding for the Women, Infants, and Children

Program through previous emergency supplemental appropriation bills. It is my hope that the Department will keep the committee informed as to whether additional funding will be required above the current fiscal year 2009 request.

Once again, I welcome the Secretary and look forward to his comments.

Senator COCHRAN. I mention in the statement the importance of agriculture research and worry about the fact that the budget request is about $170 million below last year's enacted level of funding. But this is not unusual for the Department to submit a budget request that they know is going to be increased. So it will not be a shock to you. And I am proud to associate myself with the remarks of the Senator from Idaho about the importance of agriculture research. It helps improve our profitability in production agriculture. It helps create jobs in the processing and exporting in-

dustries. And these are big factors in our own economic well-being. And I know you understand that. So you will not be surprised if you see us increasing those numbers a little bit.

We do need your guidance and observations about offsets because we do not want to overspend and injure the economy by running up deficits that threaten overall economic health too. So we know we need to work together, and I look forward to doing that.

COLOMBIA TRADE AGREEMENT

In that connection, I think the administration deserves praise for negotiating trade agreements that help enable our producers and exporters to realize profits in the international marketplace. I know we have coming before the Senate a Colombia trade agreement. Let me ask you if the Department of Agriculture supports the ratification of that, and what comments can you make that would give us some reason to be strong advocates of that position?

Secretary SCHAFER. We do very much support the ratification of the Colombia Free Trade Agreement. I was fortunate to be with the President yesterday when he made the announcement that he was sending this legislation to the Hill. And I was there because of the importance of free trade agreements, bilateral agreements and multilateral agreements, to the agriculture community.

We would note that—and I mentioned it earlier—the agriculture sector is the positive trade balance sector of our economy, and we also note that last year that 40 percent of the GDP growth in this country was led by exports. We think exports are important. I can tell you from my State, North Dakota, 50 percent of our agriculture products are exported from this country. And that is duplicated State after State after State.

The issues of national security and combining with an ally in South America with a democratically elected government are strong, but the issues of agriculture, we think, are most important. As that country is moving away from illegal production and growth of drugs and crops to make drugs and moving into legitimate, honest, and legal products and crops, it is important that we support that government. As we import our products there, jobs are created. People have better opportunity. As they export their products to us, they provide economic opportunity for the people there.

For the people of the United States of America, we are already importing 99 percent of the products from Colombia duty-free. On the other hand, our products that go down there contain levels of duty ranging from 5 percent to well into the 70 percent range. And I would note that upon ratification of this treaty, 70 percent of the products that we currently ship to Colombia go duty-free; the rest, over time, those tariffs and duties disappear. That provides economic opportunity for our current exporting levels.

Also, if you look at the importance of trade with the Peru agreement that was passed, if you add Colombia, Korea, and Panama, those four provide $3 billion of annual opportunity for agriculture exports. We think it is important for this country, and we urge the ratification of this legislation.

Senator COCHRAN. Thank you.

Thank you, Mr. Chairman.

Senator KOHL. Thank you, Senator Cochran.

Senator Specter.

Senator SPECTER. Thank you, Mr. Chairman.

Mr. Secretary, we welcome you here and note your distinguished record as Governor of North Dakota and thank you for undertaking this assignment in the last year of the administration.

In reviewing the proposed budget, I am pleased to see that the budget fully funds the Department's three major nutrition assistance programs, food stamps, school lunch, and WIC. But the funding has been terminated for the Commodity Supplemental Food Program. It is a program that I have consistently supported, and we are going to try to find a way to put that $100 million back in the budget because it is an important program. And I would appreciate your taking a look at that.

Food safety has an increase of $22 million at a funding level of $952 million, and I would appreciate it if you would take a look to see and give us a written response on the adequacy of that amount of money, considering the very serious problems there are.

As you have noted, this is a very busy place. Senators come and go. I am due on the floor 6 minutes ago on the housing bill. So I am not going to be able to stay to have a dialogue. But if you would give an analysis to the subcommittee on that, I would appreciate it.

CONSERVATION

With respect to conservation, I am concerned about the 15 percent decrease from fiscal year 2008 where there is elimination of funding for Watershed and Flood Prevention Operations, Watershed Surveys and Planning, Healthy Forest Reserve, Resource Conservation and Development. And I would like your responses to the impact of that 15 percent decrease and your Department's analysis, your analysis, of the importance of those programs.

On agriculture research, I note that the fund is down 10 percent, or more than $100 million, from last year. And 11 labs are closed, including one at University Park, Pennsylvania. I know the important work that Penn State does. Here again, I would like you to give us an analysis as to whether that shortfall could be made up in some other way.

You have a large budget, but you need a large budget. You handle a Department which has more Senator interest, I think, than any other Department perhaps, with the exception of the Department of Defense. Well, there are many Departments that have a lot of concerns, but the Ag bill draws more interest. The Department of Justice is very important. I serve as the ranking on Judiciary. But we legislate every 5 years on the Ag bill, and that draws tremendous, tremendous member interest.

So if you would take a look at those areas and give the subcommittee a written response, I would very much appreciate it.

Again, thank you for taking on this tough job.

[The information follows:]

FOOD SAFETY BUDGET REQUEST

The President's budget request is adequate to cover the cost of Federal meat, poultry, and egg products inspection as well as Federal costs for equivalent State inspection programs. An increase for the FSIS inspection program is requested to maintain our high standards for the safety and wholesomeness of meat, poultry and

egg products and our continued efforts to ensure effective inspection and policy implementation. This appropriation request includes funding an increase in pay and benefit costs, which make up approximately 80 percent of FSIS' budget; an increase for costs of the State Meat and Poultry Inspection Programs; and an increase to support Federal responsibilities added due to the takeover of the New Mexico State program.

CONSERVATION FUNDING

Watershed Rehabilitation Program

The fiscal year 2009 President's Budget proposes a reduction in discretionary funding for the Watershed Rehabilitation Program, although mandatory funding is available. The Watershed Rehabilitation Program addresses the problem of aging dams, especially those with a high risk for loss of life and property. This reduction reflects the administration's position that the maintenance, repair, and operation of these dams are primarily a local responsibility since program benefits are highly localized. A reduced level of discretionary funding will provide technical assistance to address those dams with the greatest potential for damage.

Watershed Operations and Small Watersheds Programs

The fiscal year 2009 President's Budget proposes no funding for the Watershed Operations and Small Watersheds programs. Through the Watershed and Flood Prevention Operations Program, NRCS provides local communities with technical and financial assistance to construct flood prevention, water supply, and water quality improvement projects. Since most program benefits are highly localized, the Agency anticipates that those Public Law 534 and Public Law 566 projects not yet completed will continue to receive strong local support from project sponsors.

Watershed Surveys and Planning Program

The fiscal year 2009 President's Budget proposes no funding for the Watershed Surveys and Planning Program. The Watershed Surveys and Planning Program authorities are directed toward assessment of natural resource issues and development of watershed plans to conserve and utilize natural resources, solve local natural resource and related economic problems, avoid and mitigate hazards related to flooding, and provide for advanced planning for local resource development. With the elimination of Watershed and Flood Prevention Operations, continuation of the planning component is no longer necessary. Since the benefits are highly localized, local sponsoring organizations as well as State and local governments are expected to assume a greater role in identifying and addressing water resource problems.

Resource Conservation & Development Program

The fiscal year 2009 President's Budget proposes no funding for the Resource Conservation & Development (RC&D) program. The purpose of the RC&D Program is to encourage and improve the capabilities of State and local units of government, and local nonprofit organizations in rural areas to plan, develop, and carry out programs for resource conservation and economic development. The program provides technical assistance to local communities to develop strategic area-wide plans that address their locally identified natural resource and economic development concerns. Many RC&D councils have received Federal financial support for at least 20 years. At this point, most of these communities should have the capacity to identify, plan, and address their identified priorities. In addition, a Program Assessment Rating Tool (PART) evaluation determined that the program is duplicative. The PART concluded that the program duplicates other similar resource conservation planning, rural economic development, and community programs provided by other USDA agencies (such as the Forest Service and Rural Development) and other Federal departments (such as the Department of Commerce's Economic Development Administration).

Healthy Forests Reserve Program

The fiscal year 2009 President's Budget proposes no funding for the Healthy Forests Reserve Program (HFRP). The HFRP assists landowners in restoring, enhancing and protecting forest ecosystems to promote the recovery of threatened and endangered species, improve biodiversity, and enhance carbon sequestration. The administration's farm bill proposal consolidates this program as part of a combined Private Lands Protection Program.

AGRICULTURE RESEARCH FUNDING

Many difficult choices were made in developing the Department's fiscal year 2009 budget in order to advance the President's goal of achieving a balanced budget by 2012, while also encouraging economic growth and security.

The reduction in research funding is primarily due to the termination of earmarks consistent with the administration's policy, and a reduction in lower priority research in favor of higher priority research, including bioenergy research.

The decision to terminate or close programs and locations was based on specific criteria which include whether the facilities have reached their useful life span or have such high maintenance and operating costs that it is no longer feasible or possible to keep them open; closing these locations and moving personnel to newer facilities or to those that conduct related research, will enable a larger critical mass of Agricultural Research Service (ARS) scientists to address issues in a more efficient manner; and finally, some of the research is no longer relevant to the mission of ARS or has matured to the point that discontinuing it and closing the locations is the best use of limited resources.

In focusing on the need to redirect and reallocate limited ARS resources to higher priority research initiatives and to provide funding that would support the administration's goal of deficit reduction and economic growth, programs were reviewed for relevance, quality, impact, and cost effectiveness.

Senator KOHL. Thank you, Senator Specter.

Senator Craig.

RESEARCH FUNDING

Senator CRAIG. Again, Mr. Chairman, thank you.

Mr. Secretary, one last thought. As we look to budgets and we look to consolidating resources but continuing to provide quality resources in a variety of areas, especially in research, as you know, out in Idaho and Washington we have the uniqueness of having two land grant universities 8 miles apart, Washington State University and the University of Idaho. And there is an increasing cooperative effort between the two as it relates to the land grant responsibility and the agricultural needs of that whole region of the country. And as a result of that, I think the Federal Government gets a lot more bang for its buck because when we deal with cold weather crops and we deal with large animal science, it is all the more important.

I mentioned the growth of dairy in Idaho and that is a unique phenomenon of location and climate and space and the modernness that our dairy industry is moving into. But as a result of that, when you go to large, confined operations of 5,000 and 6,000 and 8,000 and 10,000 animals, the science of it becomes awfully important. The health of it becomes awfully important.

Idaho is preparing to invest heavily in a world-class dairy science center that will spread beyond that to large animal reviews, waste management, anaerobic digestion, a whole combination of things. And the State is willing to make that investment. ARS will be a player there. They must be a player there. It is too good of an opportunity to pass up for that kind of world-class science to be revisited and brought modern both with facility and location and need.

So when I look at these research dollars and research budgets, whether it is the Land Management and Water Conservation Research Unit at Pullman, Washington, extremely valuable for that high production cropland in the Palouse country in the Pacific Northwest and the work that has been done there, and I look at large animal science that the University of Idaho in cooperation with world-class animal science, as the president of Washington

State just spoke to recently, your budgets do not serve that very well.

For example, your proposal would force the University of Idaho to eliminate 58 faculty or staff positions. Now, that is a phenomenal hit and one that I will make every effort not to tolerate. And I say that in a broader sense. I am going to have support. I am going to have the Senators from the State of Washington supporting me, the Senators from Montana and Oregon and surrounding States because the work we do is very transparent and very important to the agriculture of that region.

And so, again, I say that—how do we justify? I guess my only question because I will be submitting some to you. How do we justify this sort of significant departure from traditional distribution of Hatch Act funding as it relates to these kinds of programs both in the long-term and short-term value that our land grant university research has always produced for us? Because it is regional. It is national. It fits the need locally and area-wide. What do we do?

Secretary SCHAFER. Thank you for the question, Senator Craig, and it is an important one.

As you know, we removed about $185 million in research funds from the budget in an effort to look at our limited resources and how they most wisely can be spent. Most of those were earmarks for specific facilities and specific programs.

As we looked at the budget, recognizing that we do have some constraints if we are going to put us on a pathway to balance the budget by 2012, we wanted to make sure that we played our part in that.

The administration believes and we at USDA believe that by competitive grant sources, we can better focus the research where we get the best research and the best outcome, that while we are requesting the removal of earmarks for facilities, we still have grants available. You mentioned several States, and it was mentioned today, closing facilities, I should point out that being from North Dakota, one of those facilities for proposed closing is in North Dakota. So I am well aware of the situation.

But I think as we look at the grant opportunities, we at USDA are going to focus on the priorities, some of which you mentioned. But as we look at those priorities, we are going to provide the grant dollars on a competitive basis for facilities to do that. We think that allows us to wisely use the limited dollars that we have.

Senator CRAIG. Well, I can appreciate the priorities and I can also appreciate the fiscal soundness of decisions. One of the great values of land grant systems spread nationwide is that it dealt locally and regionally in ways that became national in value when oftentimes not seen from the 30,000-foot level by USDA. And we all know that has been the case time and time again throughout the history of the modernizing of agriculture as we worked aggressively to do it over the last good while.

So we will work with you and certainly with the committee to help establish some of these priorities.

ADDITIONAL COMMITTEE QUESTIONS

I will submit the balance of my questions in writing. Thank you.

Senator KOHL. Thank you very much, Senator Craig.

And we thank you, Mr. Secretary, and your colleagues for being with us today.

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

QUESTIONS SUBMITTED BY SENATOR HERB KOHL

HUMANE SLAUGHTER

Question. Can you provide an update on what is happening with recalled food that wasn't part of Federal nutrition programs? How much is still out there, and how much do you realistically believe we will ever collect?

Answer. It is the responsibility of the recalling firm, and not FSIS, to ensure that consignees are notified of the need to retrieve and control recalled products. FSIS does conduct effectiveness checks for all recalls, and when this case is closed, the agency will report to the Committee the amount of product recovered.

Question. The FSIS budget doesn't include any increased funding, other than for employee pay costs and to cover the cost of the New Mexico program. Would additional dollars, either for more inspectors or more training, be beneficial?

Answer. The President's budget request is adequate to cover the anticipated cost of providing Federal meat, poultry, and egg products inspection as well as the Federal costs for equivalent State inspection programs. An increase for the FSIS inspection program is requested to maintain our high standards for the safety and wholesomeness of meat, poultry and egg products and our continued efforts to ensure effective inspection and policy implementation.

Question. What is the status of the proposed rule to permit FSIS to list in its recall press releases the names of retail consignees? Please provide an explanation for what types of recalls (Class I, Class II, etc.) will be included and excluded.

Answer. USDA submitted a draft final rule to the Office of Management and Budget for review under Executive Order 12866 on April 8, 2008. As a general rule we do not discuss draft content of rules currently under review. Upon completion of review, we will publish the final rule in the Federal Register. The preamble to the final rule will include an explanation of decisions made with respect to the rulemaking.

FISCAL YEAR 2008 WIC BUDGET

Question. Mr. Secretary, does USDA still believe, as Undersecretary Johner stated a few weeks ago in front of the House of Representatives, that the fiscal year 2008 budget request for WIC was adequate?

Answer. The information available at the time indicated that this was the case. More recent year-to-date WIC participation and food cost data suggests that program costs for fiscal year 2008 will exceed levels anticipated in the President's fiscal year 2009 budget and funded by the fiscal year 2008 Consolidated Appropriations Act. Our current analysis of fiscal year 2008 program performance indicates that without additional funding there would be a fiscal year shortfall even after the release of the remaining $150 million of contingency resources. For this reason, I am reviewing options that include transferring funds from the Food Stamp Program contingency reserve to the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) to address funding shortfalls in that program.

Question. How much of the contingency fund will be released in fiscal year 2008?

Answer. In fiscal year 2008, $258 million of WIC contingency reserve funding has been made available to the States. This included $108 million of prior year contingency funds and $150 million provided by the Consolidated Appropriations Act, 2008 (Public Law 110–161).

Question. So, all of the funding Congress provided (again, over $600 more than the administration requested), including the entire contingency fund, will be used. Will there be additional funding required and where will it come from?

Answer. Yes, program data suggests that program costs for fiscal year 2008 will exceed levels anticipated in the President's fiscal year 2009 budget and funded by the fiscal year 2008 Consolidated Appropriations Act. Our current estimate indicates that without additional funding there would be a shortfall even after the release of the remaining $150 million of contingency resources.

For this reason, I am reviewing options that include transferring funds from the Food Stamp Program contingency reserve to the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) to address funding shortfalls in that program.

Question. How much is included in the budget request for the contingency reserve in fiscal year 2009, and how much of the contingency reserve does the budget assume will be needed to fund the participation levels estimated in the budget?

Answer. The President's fiscal year 2009 budget request for the WIC Program funds the contingency reserve at $150 million. The budget request assumes that the entire $150 million will be needed to support the projected 8.6 million person average monthly participation for fiscal year 2009. Maintaining the WIC contingency reserve, even when its use is anticipated, is important because it preserves USDA's ability to quickly and precisely target program resources to States experiencing funding difficulties.

WORLD/DOMESTIC FOOD SUPPLY

Question. Over the last year we have seen dramatic changes in the cost of farm commodities and the world food supply in general. There have been food riots in many countries, and some countries that used to export grains are now keeping them for their own use. Today, the ending U.S. stocks of wheat are the lowest in history.

Can you or Dr. Glauber give us a good overview of the United States and world food situation and the implications it has on USDA policy? How much of this is driven by shifts to energy production? How much have costs increased for livestock producers as a result of rising grain costs?

Answer. I have asked Dr. Glauber to respond to your questions for the record.

[The information follows:]

One way to provide you with an overview of the United States and world food situation is through the prices paid for food commodities. In general, higher food prices reflect tighter market conditions either through greater demand for food or higher production costs. For example, an increase in demand for agricultural commodities due to higher global income increases the prices paid for agricultural commodities and therefore food commodities. Similarly, higher energy prices increase the cost of producing and marketing food commodities. Higher production and marketing costs are then passed through to consumers in the form of higher food prices.

Recently, both greater demand and higher production and marketing costs have both been working to place upward pressure on the prices paid for food commodities. In 2007, the Consumer Price Index (CPI) for food increased by 4.0 percent, up from 2.4 percent in both 2004 and 2005. We are currently forecasting that the CPI for food will increase by 4.5 to 5.5 percent in 2008 and by 4 to 5 percent in 2009.

Retail prices for fruits and vegetables increased 3.8 percent in 2007, as fresh fruit and vegetable prices rose by 3.9 percent and processed fruit and vegetable prices rose by 3.6 percent. Price spikes in these commodities are often linked to drought or freeze damage. The CPI for fruits and vegetables is projected to increase by 4.5 to 5.5 percent in 2008 and by 3.5 to 4.5 percent in 2009.

The CPI for meat, poultry and fish increased by 3.8 percent in 2007 and is forecast to increase by 2–3 percent in 2008 and 5–6 percent in 2009. In 2007, prices were particularly strong for cattle and broilers. These strong prices generally reflected production adjustments made prior to the recent increase in feed costs. U.S. production of meat and poultry is expected to be a record 94 billion pounds in 2008. This large supply of meat is expected to limit gains in prices for cattle, hogs, broilers, and turkeys in 2008, leading to the relatively smaller increase in the CPI for meat, poultry and fish in 2008. In addition, the demand for red meat and poultry could be affected by consumers' economic concerns.

The CPI for fats and oils and the CPI for cereal and bakery products increased by 2.9 percent and 4.4 percent, respectively, in 2007. The CPI for fats and oils is forecast to increase by 11.5–12.5 percent in 2008 and 3–4 percent in 2009. The CPI for cereals and bakery products are forecast to increase by 9–10 percent in 2008 and 3.5–4.5 percent in 2009. The relatively large increases in the CPI for each of these categories reflect the relatively tight market conditions that existed for much of 2008. However, improved growing conditions in many parts of the world are expected to ease market conditions somewhat for 2008/09. Based on the July World Agricultural Supply and Demand Estimates (WASDE), global 2008/09 wheat production is projected at a record 664 million tons, 53 million tons higher than the weather-reduced 2007/2008 crop. Global 2008/2009 coarse grain production is projected at slightly over 1 billion tons, similar to the estimated 2007/2008 crop. Global oilseed production is projected at 417 million tons, a 7.8 percent increase over the 2007/2008 estimate.

Globally, there is no measure that reflects the prices paid by consumers for food commodities. One measure that has received considerable attention lately is the International Monetary Fund's (IMF) global food commodity price index. The IMF

global food commodity price index includes a bundle of agricultural commodities including cereals such as wheat, corn (maize), rice, and barley as well as vegetable oils and protein meals, meat, seafood, sugar, bananas, and oranges. Over the past 12 months (June 2007 to June 2008), the IMF global food commodity price index increased by 44 percent. However, the increase in the food commodity price index should be viewed in comparison to other prices changes. The IMF overall commodity price index rose by 62 percent over the same 12 months while the petroleum price index rose by 93 percent.

Overall, the market for most commodities remains tight by historical standards. However, as weather conditions improve in various parts of the world and oil prices ease, we would expect to see some moderation in the prices consumers pay for food in the next year.

With respect to shifts in energy production based on the latest information prepared at USDA, the expansion in biofuel production in the United States would appear to be a relatively modest contributor to food price inflation globally and in the United States. Assuming no expansion in biofuel production in the United States, we estimate the CPI for all food would have increased by 4.55–4.60 percent during the first 4 months of 2008, compared with the actual increase of 4.8 percent. Globally, we estimate the IMF global food commodity price index would have increased by over 40 percent from April 2007 to April 2008, compared with the actual increase of 45 percent.

Higher grain costs are having an impact on costs for livestock producers. The most recent Agricultural Prices report, released on July 31, 2008 by the National Agricultural Statistics Service (NASS) shows that feed price ratios have fallen considerably since last year. The feed price ratios measure the pounds of feed equal to the amount of production for various types of livestock or livestock products in value terms. For example, the broiler-feed price ratio fell from 5.2 in July 2007 to 3.2 in July 2008. The reason for the decline is that while the price of broilers increased only slightly from 2007 to 2008, the price of corn and soybeans increased by 69 percent and 88 percent respectively. As listed in the table below, the effects of higher corn and soybean prices were reflected in lower feed price ratios across all types of livestock.

Feed Price Ratio	July 2007	June 2008	July 2008
Broiler-Feed: Pounds of Broiler Grower Feed equal in value to 1 pound of broiler, live weight	5.4	3.2	3.2
Market Egg-Feed: Pounds of Laying Feed equal in value to 1 dozen eggs	10.7	7.2	5.0
Hog-Corn: Bushels of Corn equal in value to 100 pounds of hog, live weight	15.7	9.7	9.4
Milk-Feed: Pounds of 16 percent Mixed Dairy Feed equal in value to 1 pound of Whole Milk	3.16	1.88	1.82
Steer & Heifer-Corn: Bushels of Corn equal in value to 100 pounds of Steer & Heifers, live weight	28.0	17.6	17.8
Turkey-Feed: Pounds of Turkey Grower equal in value to 1 pound of Turkey, live weight	6.6	4.3	4.2

Lower feed price ratios will cause the sector to adjust. Based on the July World Agricultural Supply and Demand Estimates (WASDE), poor producer returns for broiler and turkey producers are expected to weigh on the sector, and 2009 production is expected to dip below 2008. For 2009, we expect total red meat and poultry production to decline by about 1.6 percent from 2008 levels.

WORLD/DOMESTIC FOOD SUPPLY

Question. How long do you estimate that food costs in this country are going to continue to rise? Do you feel that the current Food Stamp benefit is adequate to meet the rising demand? What about other food assistance programs at USDA and local programs like food banks, what is happening there?

Answer. In USDA's Agricultural Projections to 2017 published in February 2008, the Consumer Price Index (CPI) for food is projected to increase more than the CPI for all items in 2008 and 2009. For 2010–2017, the CPI for food is projected to average 2.28 percent annually, less than the 2.5 percent CPI projected for all items.

The Department believes the benefit levels in the Food Stamp Program, which are based on the ability of recipients to use their benefits combined with their own income to purchase a low-cost, nutritious diet, are adequate to meet the needs of the people that the program serves.

Benefit levels for food stamps, and payments for school meals and WIC food packages, are adjusted annually to respond to increased costs. Between fiscal year 2007 and 2008, food stamp benefit levels increased 4.6 percent; school meals reimbursements increased about 3 percent. We also budgeted for an 8.7 percent increase in the average cost of WIC food packages between fiscal year 2007 and 2008.

The Department has tools and policies in place to respond to changes in projected demand and costs in the domestic nutrition assistance programs. Two of the major programs the Food Stamp Program and the Child Nutrition Programs are designed to respond automatically to annual increased participation when economic or other circumstances change. The program's entitlement structure helps to ensure that benefits automatically flow into communities, States, or regions of the country in which increased numbers of eligible people apply for benefits.

While WIC, as a discretionary program, does not have this same structure, the Department monitors participation and food price trends closely to ensure that sufficient resources are available for the administration to maintain its long standing policy of serving all eligible persons seeking WIC services.

With regard to food banks, we have heard from our cooperators and others that the private food bank network, which is supported in part by The Emergency Food Assistance Program (TEFAP), is facing increased demand. In addition to the $140 million provided in appropriated funds for the purchase of TEFAP commodities, USDA began a "Stocks-for-Food" initiative in July 2007 to barter government-owned bulk commodities with food processors in exchange for value-added agricultural products that can be distributed through USDA's nutrition assistance programs. We expect about $90 million in commodity foods to be distributed to domestic nutrition assistance programs under this initiative.

Question. What is the outlook for the near and long term food situation? For example, what would happen if the drought in Australia continues? What happens if an exotic disease like wheat stem rust takes hold in this country? How is USDA preparing the Nation for continuing problems like these?

Answer. USDA forecasts world production, consumption, and trade for the major field crops which include the major grain staples. At this time, world production prospects for wheat and coarse grains remain very favorable for 2008. Additional detail will be provided for the record.

[The information follows:]

World wheat production is expected at record level with favorable weather supporting fall planting and crop development in most of the Northern Hemisphere countries including the major producing countries of the European Union and Former Soviet Union, and also in India, China, and the United States. With higher prices, area expanded substantially last fall in most of these countries. Price increases since that time have also spurred incentives to increase spring wheat plantings in Canada and plantings in key southern hemisphere producers such as Australia. The drought in Australia appears to have been largely broken with significant rainfall in the eastern portions of the country in recent months and very timely rains ahead of 2008 crop wheat seeding in the southern and western growing areas more recently. At this point, the possibility of a third year of drought remains fairly low for Australia; however, even a drought as serious as those in the past 2 years would mean a loss of only 10–15 million tons of production worldwide, not enough to prevent a record world wheat crop in 2008, given all indications at this time.

World coarse grains production in 2008 is expected to match or surpass last year's record level, despite a likely reduction in U.S. corn output with lower expected planted area. Although most of the world's coarse grains crop remains to be planted, record prices are encouraging increases in planted area throughout the major producing countries. This suggests record world production again in 2008 with normal weather.

Crop production remains highly dependent on weather with additional risks poised by pest and disease problems. Although pests and diseases are a serious issue, risk of major crop failures due to these threats remains relatively low. USDA will continue to monitor crop health issues and reflect the impact of crop problems in its monthly crop reporting and supply and demand estimates reports. These reports provide the public with a reliable and timely source of information about crop production and use in the United States and around the world.

EFFECT OF HIGH COMMODITIES DEMAND

Question. Because of the high demand for commodities, there is a large concern that lands that have been placed in conservation practices may be moved into farm production and, as a result, a lot of environmental benefits will be lost. Do you share that concern? What is USDA doing to help maintain the levels of water, soil,

and wildlife habitat protection that conservation programs have achieved over the last 20 years?

Answer. USDA approaches conservation with the objective of ensuring that lands can be productive in concert with a healthy environment and that benefits achieved can be maintained.

For example, USDA cost share programs provide assurances that conservation practices are maintained and that taxpayer investments are protected. Each conservation practice the Department implements has a life span attached to it and if the landowner does not maintain the practice, we can recoup our costs.

There are also pressures from a land retirement perspective that sensitive lands may go into production. The 1985 Farm Bill authorized the Conservation Reserve Program (CRP) as an option for producers with Highly Erodible Land (HEL). Any HEL land coming out of CRP and going back into production, must be farmed in accordance with an acceptable conservation plan/system in order to be eligible for certain USDA benefits.

The Department is ready to address increased requests from producers with expiring CRP contracts for conservation technical and financial assistance (cost-sharing) through the Environmental Quality Incentives Program, the Conservation Security Program, the Wildlife Habitat Incentives Program, and other conservation programs.

In the Administration's 2007 Farm Bill proposals, the Department proposed a forward looking approach in the form of a biomass reserve, which would have encouraged energy crop production on suitable lands currently enrolled in the CRP.

NATIONAL ANIMAL IDENTIFICATION SYSTEM

Question. Over the past several years, this Subcommittee has provided substantial funding to USDA for the National Animal ID program. However, this program is still not established in any meaningful way and there is a lot of frustration in the farming community and within Congress about the way this program has been managed.

What is the current status of this ID program? Do you support a voluntary or mandatory program and who do you think should pay the cost of it? How have you spent the money that has been appropriated for it so far?

Answer. A great deal of progress has been made with all three components of the National Animal Identification System (NAIS).

Premises registration is the foundation of the NAIS. Progress continues at a steady pace. Currently, participating States and Tribes have registered 461,846 premises nationwide. This represents approximately 33 percent of the estimated national total.

USDA wants to reach as many producers as possible. Recognizing the need for industry groups to be more involved in premises registration outreach efforts, USDA has initiated cooperative agreements with nonprofit organizations to advance premises registration. USDA has finalized eight agreements for this purpose.

USDA has approved six manufacturers of animal identification number (AIN) tags to produce ten devices for official NAIS use including radio frequency identification (RFID) eartags that are compliant with standards from the International Organization for Standardization. Approximately 4.2 million AIN devices have been distributed.

Last year, USDA purchased 1.5 million NAIS-compliant RFID eartags to be used specifically for current animal disease programs—such as the cooperative, State-Federal bovine tuberculosis (TB) and brucellosis programs. These tags will also be distributed in geographic areas that are at increased risk for disease outbreaks. In response to the TB detection in California in December 2007, 108,000 AIN tags have been provided to support bovine TB testing in California and Nevada. An additional 18,900 tags have been distributed to support disease program efforts in other States.

The tracing component of the NAIS continues to advance. In 2007, USDA published A Business Plan to Advance Animal Disease Traceability. The business plan detailed strategies and actions to more fully utilize the NAIS standards in existing animal health programs. The plan also works to harmonize animal identification systems with industry marketing, management, and performance recording programs to improve the overall U.S. animal disease traceability infrastructure. Seven specific strategies detailed in the plan include actions that USDA can take immediately to make an impact on traceability. While 48-hour traceability is a long-term goal, USDA is working now to reduce the length of time it takes to conduct an animal disease investigation. USDA is cooperating with States, Tribes, and industry groups to integrate NAIS standards into existing USDA disease programs and fur-

ther interoperability between technology systems. These short-term actions will help significantly in improving traceability and meeting our immediate goal for NAIS.

USDA does not believe that the NAIS needs to be mandatory to be effective. USDA believes the goals of the system can be achieved with a voluntary program as a result of standard business practices. For example, animal identification has many "drivers" that provide marketing advantages to producers. Other "drivers" may become requirements for certain markets (e.g., age verification for the purposes of international trade). NAIS animal ID has been developed to meet the needs of various programs, including both regulatory disease control programs and industry programs. Participation in NAIS provides marketing and management benefits to producers, as well as the data that animal health officials need to respond quickly and effectively to animal disease events.

Producers who choose to participate in NAIS will find many positive benefits. Contact information provided during premises registration allows State animal health officials to provide participating producers with information about disease outbreaks or incidents in their area. This will enable producers to rapidly protect their premises and their livelihood. Participating producers will also be better positioned to protect their market access and expand their marketing opportunities because their participation will provide vital information on identification and movement of their animals, necessary for animal traceability.

Because the NAIS is a State-Federal-industry partnership, the program works best if there is active involvement and feedback from the States, industry, and producers. As the NAIS has evolved, USDA has put participant feedback to work to adjust the program and address their thoughts and concerns. USDA will continue working collaboratively to ensure that the NAIS is easy to use and makes sense.

The following table shows how APHIS has obligated NAIS funding through April 2008:

NATIONAL ANIMAL IDENTIFICATION SYSTEM OBLIGATIONS

	Fiscal year				
	2004 CCC funds	2005	2006	2007	2008
System funding	$1,813	$4,089	$2,466	$6,207	$1,412
Cooperative agreements	13,554	12,838	5,191	19,569	5,728
Communications and outreach	2,132	2,557	2,402	2,980	528
Staff and materials	319	3,928	6,424	14,185	3,819
Total, Federal Funding Obligated	17,819	23,413	16,482	42,941	11,487

Question. What are you hearing from farmers and ranchers about this program?

Answer. Overall, the feedback from producers and industry organizations from the commercial animal agriculture industry has been positive. However, some groups oppose participation in the program and will not register their premises. In addition, in some States (e.g., Missouri and South Dakota) legislation has been periodically introduced to restrict participation in the program at the State level. Producers in some areas have opted not to participate in the NAIS. However, the enhanced communications efforts, which began in May 2006, continue to address concerns.

EMERSON TRUST

Question. One of the tools to fight world hunger is the Bill Emerson Humanitarian Trust. However, in spite of the recent rising food costs and urgent need for food aid in places like Sudan and Somalia, the Emerson Trust has not been used since 2005.

Do you have plans to recommend any releases from the Emerson Trust in the near future?

Answer. Yes, the President directed that the Bill Emerson Humanitarian Trust be drawn down to provide emergency food aid through the U.S. Agency for International Development, to meet unanticipated needs in Africa and elsewhere. This action will provide an estimated $500 million of emergency assistance this year.

Question. Do you think the Emerson Trust plays an important role in fighting world hunger and can you explain what the level of commodities and cash in the trust are today?

Answer. The Department of Agriculture and U.S. Agency for International Development (USAID) agree that the Bill Emerson Humanitarian Trust is an important tool in the battle against world hunger. It complements the traditional Public Law

480 food aid programs, particularly Title II, by making stocks available during periods of tight supply and to meet unanticipated emergency food aid needs. The Trust consists of 654,979 metric tons of wheat and about $196.4 million in cash.

Question. Can you describe how the Trust actually works, how much do you spend on storage, and how do the commodities actually get from the storage facilities to the recipient countries?

Answer. Bulk commodities in the Bill Emerson Humanitarian Trust (wheat) are generally sold to generate funds that are used to acquire commodities needed in the recipient country, as determined by the USAID. CCC purchases commodities requested by USAID with the sales proceeds from the wheat, and arranges for transportation from U.S. port locations to recipient countries. Another method is to swap CCC-owned wheat for the desired commodities.

With respect to storage costs, CCC paid more than $936 million for wheat in the Trust from 1981 through 2007, averaging more than $34 million per year. At the current Trust level of 654,979 metric tons, CCC will pay about $6.9 million per year in storage costs.

Because of these costs and other considerations, holding cash rather than commodities in the Trust can be a preferred option.

COLONY COLLAPSE DISORDER/VARROA MITES

Question. A very large segment of our food supply relies of the work of natural pollinators, namely bees. However, we continue to hear about serious problems like Colony Collapse Disorder, Varroa Mites and other threats to bee species and ultimately, to our food supply.

What are you doing this year regarding these problems and what progress have you made?

Answer. The Research, Education and Economics mission area reacted quickly to lead the Federal response with the formation of a colony collapse disorder (CCD) Steering Committee which developed an action plan to coordinate Federal research. ARS is conducting research into the potential causes of CCD, including pathogens, parasites, environmental stress (including pesticides) and management stresses, and the Cooperative State Research, Education, and Extension Service (CSREES) is coordinating Federal and land grant university efforts. The 2009 budget requests an additional $780,000 for ARS to research the role of pathogens and other stress factors in CCD and develop ways to mitigate their effects. In 2008, ARS began a 5-year Honeybee Health Areawide Project funded at $1 million per year.

CSREES awarded $4.1 million to the University of Georgia to study the causes of CCD and other diseases affecting bee populations.

The Protection of Managed Bees Coordinated Agricultural Project aims to improve the health of managed bee populations in agricultural systems. The research will address genomics, breeding, pathology, immunology and applied ecology to explain the causes behind dwindling bee populations. Researchers will work closely with the extension community and other stakeholders to develop and implement mitigation strategies for CCD and other significant problems.

The Animal and Plant Health Inspection Service (APHIS) will undertake a project to examine key honeybee issues. In addition to working with the Agricultural Research Service (ARS) on research regarding potential causes of Colony Collapse Disorder (CCD), APHIS is examining existing risk assessments for queen bees, packages, and germplasm from Australia, Canada, and New Zealand. Presently, importing bee-collected pollen and royal jelly for bee feed is prohibited. However, APHIS is developing a risk pathway analysis for royal jelly and bee pollen as bee food.

Question. Can you describe how your research and regulatory agencies plan to deal with these problems in this budget?

Answer. The 2009 budget requests an additional $780,000 for ARS to research the role of pathogens and other stress factors in CCD and develop ways to mitigate their effects. In 2008, ARS began a 5-year Honeybee Health Areawide Project funded at $1 million per year.

CSREES awarded $4.1 million to the University of Georgia to study the causes of CCD and other diseases affecting bee populations.

The Protection of Managed Bees Coordinated Agricultural Project aims to improve the health of managed bee populations in agricultural systems. The research will address genomics, breeding, pathology, immunology and applied ecology to explain the causes behind dwindling bee populations. Researchers will work closely with the extension community and other stakeholders to develop and implement mitigation strategies for CCD and other significant problems.

The Animal and Plant Health Inspection Service (APHIS) will undertake a project to examine key honeybee issues. In addition to working with the Agricultural Re-

search Service (ARS) on research regarding potential causes of Colony Collapse Disorder (CCD), APHIS is examining existing risk assessments for queen bees, packages, and germplasm from Australia, Canada, and New Zealand.

VARROA MITES

Question. Senator Inouye has brought to my attention that the varroa mite has suddenly appeared in Hawaii and this poses a special threat because many of the honey colonies that are used in this country are actually produced in Hawaii.

Senator Inouye has asked me to submit some questions for the record on his behalf, which I will, but can you tell us if you are aware of this problem, how serious you think it is, and what you are doing about it?

Answer. Varroa mites were recently found on the island of Oahu and appear to be established throughout the island. But so far, there is no evidence that the mites are present on any of the other islands. Hawaii has strong intra-island quarantine regulations in place. APHIS is providing funding to the State to conduct a survey for a variety of honey bee pests and diseases, including varroa mites. The survey will provide information to officials to help manage the situation, although once they are established, it is virtually impossible to eradicate varroa mites. There is no record of the mite ever having been eradicated.

RURAL DEVELOPMENT AND RENTAL ASSISTANCE—ABSENCE OF A SOUND STRATEGY

Question. Rental assistance provides funding to help very low income rural families so they don't have to spend more than 30 percent of their incomes on rent. Recipients are typically elderly, handicapped, or female-headed households, with average household incomes near $12,000. If this assistance is not continued, tenants will face rents that they cannot afford and will face eviction.

Over the past several years this program has reduced from 5 years to 1 year the amount of time that families had assurances (through formal contracts) this assistance would continue. This reduction was done to provide immediate savings, help measure annual cost increases, and improve the ability to forecast future renewal needs. It was recognized that over time, there would be a large increase in annual program costs. That is occurring in fiscal year 2009 as program needs jumped from $445.8 million in fiscal year 2008 to $1.02 billion.

The administration was well aware of this phenomenon. However, in spite of ample lead time the administration failed to develop an adequate plan. The administration's proposal is to fund these needs by program terminations and reductions across Rural Development.

Besides forcing Rural Development to absorb over $500 million in offsets, were other options considered?

Answer. Rural Development's first priority is to continue tenant protections in the form of Rental Assistance renewals. The administration is committed to fully meeting the need for renewals while meeting the President's goal of reducing spending and achieving balance budget. The formulation of the President's budget involved discussion of numerous options among multiple participants.

Question. What were those options and why were they rejected?

Answer. Any discussions of options are predecisional. We believe the fiscal year 2009 President's budget is the best course of action to ensure the vitality of the Rental Assistance program. It will allow us to be more responsive to program needs and will improve our ability to forecast future Rental Assistance renewals.

RURAL HOUSING AND THE SUB-PRIME HOUSING CRISIS

Question. The sub-prime housing crisis has created turmoil in housing and financial markets nationwide. But, little attention is paid to impacts on rural residents. We want to ensure that rural households receive the support and assistance needed to weather the storm.

How is the fallout in the sub-prime market affecting rural housing in general?

Answer. Information on how rural borrowers have been affected by the sub-prime home mortgage crisis is limited. However, there is evidence that a significant amount of sub-prime lending has occurred in rural areas, particularly where borrowers have limited access to traditional credit. Some of these borrowers are likely to be having repayment problems. However, the adverse impacts on rural housing markets may not be as widespread because there is less concentration of housing in rural areas and home prices tend to be lower than those in urban areas.

Question. What Rural Development housing programs are most impacted and how?

Answer. The current situation in the subprime market has had a minimal impact on Rural Development's housing programs. Our single family housing portfolio re-

mains strong with low delinquency and foreclosure rates. In ten of the last 12 months, we have experienced historical low delinquencies. Demand for the section 502 guaranteed loan program is at record levels as private sources of mortgage credit for first-time homebuyers have tightened dramatically.

Our Single Family Housing programs have seen an increase in activity, which is common when the private sector market is experiencing difficulties. We have responded accordingly and have been able to meet current demands.

Question. Although the Budget substantially increases the Sec. 502 guaranteed single family housing program, the increase is coupled with a 50 percent fee increase. Why do you believe now is the appropriate time for a large fee increase?

Answer. Most other Federal guarantee programs operate near "budget neutral;" however, the Section 502 Guaranteed loan program continues to require a taxpayer subsidy. By bringing the guarantee fee in line with other Federal guarantee programs we will be able to operate near budget neutral while providing a much greater amount of program level funding. Overall, the subsidy rate for the guarantee program will drop from 1.20 percent in fiscal year 2008 to 0.27 percent in fiscal year 2009, requiring very little credit subsidy.

Question. This Budget, again, terminates the direct Sec. 502 single family housing program. Without this credit source, particularly in the current environment, where will very low and low income rural households obtain funding for homeownership?

Answer. The guaranteed program can already provide coverage for many of the customers that would traditionally look to the direct loan program for financing. In recent years, about 30 percent of USDA's guaranteed loans for single family housing have gone to families with 50 to 80 percent of median family income, which is within the income limit for direct loans. The remaining 70 percent of these loans have gone to families with incomes between 80 percent and 115 percent of median family income. By shifting budget authority to guaranteed loans in fiscal year 2009 we will be able to increase program level funding for guaranteed lending to over $4.8 billion. Guarantees will allow us to leverage a much greater amount of program level funding which in turn allows us to assist more rural Americans. Some of the Very Low Income applicants, those making less than 50 percent of the Area Median Income, would not be served without the 502 direct loan program. However, these individuals may be able to qualify under the guaranteed program for a more modest sized home.

FARM SERVICE AGENCY (FSA) INFORMATION TECHNOLOGY (IT) PROBLEMS

Question. Last year at this hearing the USDA Secretary acknowledged problems with FSA's legacy IT system. The system was unstable and the Agency rationed access to guard against comprehensive failure. The Secretary promised to provide a plan to develop and implement a replacement for the outdated and overloaded legacy systems. Maintenance funding was provided in the supplemental bill for short term stabilization.

One year later we remain in essentially the same situation. FSA's systems are one year older and availability to users is questionable at any time. The specter of a comprehensive system crash remains. Little confidence is placed on the replacement cost and scheduling estimates that have been provided.

Given the damage that may result from systems failure, why are we not further along regarding implementing a solution?

Answer. USDA is pleased that our business case for modernization has been approved by OMB and reviewed by GAO. All parties agree with USDA that modernizing the business delivery systems of the Commodity Credit Corporation is a priority. As soon as funding becomes available, USDA is ready to proceed.

Question. Why does this budget not include funding to address this problem?

Answer. The business case was approved by OMB in late November 2007, by which time decisions on the fiscal year 2009 President's Budget had already been made. However, we have been working with the authorizing committees to provide for the needed funding through the pending Farm Bill. We have proposed amending the Commodity Credit Corporation Charter Act to permit the use of up to $400 million in CCC funds over the next 4 years, with offsets for collecting user fees.

Question. Are negotiations underway through the Farm Bill process to obtain adequate funding there?

Answer. Yes. USDA has had multiple meetings with House and Senate staff working on the Farm Bill negotiations. We have provided the authorizing committees with legislative language to amend the CCC Charter Act to allow for the collection of user fees to fund the modernization and stabilization projects.

Question. What is the explanation for the lack of urgency displayed by the administration regarding this critical issue?

Answer. USDA has been diligent in following all the necessary steps to gain approval of the modernization business case. OMB and GAO agree with USDA that modernizing the business delivery systems for the Commodity Credit Corporation is a priority. USDA has developed the MIDAS foundational requirements so that USDA is positioned to move forward when funding becomes available.

RESOURCE CONSERVATION AND DEVELOPMENT PROGRAM (RC&D)

Question. Mr. Secretary, the budget proposes reducing the Resource Conservation and Development program by nearly $51 million which eliminates this program.

Will the RC&D Councils be folded into other areas of NRCS? If not, how many employees will be let go and have these employees been notified of your intentions yet?

Answer. The proposal eliminates Federal technical assistance to the 375 RC&D councils. As nonprofit organizations, RC&D Councils will still exist. At this point, most of these Councils should have the capacity to identify, plan, and address their identified priorities. The majority of the Councils have increased their partnerships and financial portfolios and will continue to bring resources to their communities.

RC&D staffing adjustments are being considered as part of NRCS' human capital analysis and plan. Since NRCS is facing significant retirements in the future, all appropriate staffing incentives and adjustments are being considered. However, specific plans have not been finalized. Implementation of any plan for fiscal year 2009 would not be initiated until Congressional action on the President's Budget is known and necessary decisions have been made. NRCS intends to retain as many RC&D staff on NRCS payroll as the overall NRCS budget will support. Skills learned as an RC&D Coordinator serve employees well in many other NRCS positions. The ability to foster partnerships, collaborate, and plan projects is essential to all NRCS field and State level technical positions. Many of these employees can be placed in other NRCS field and State office positions such as district conservationist and other natural resource positions.

Question. Has the Department ever attempted to measure the benefits to rural communities that specific RC&D councils have provided, and if so what did you learn?

Answer. Although no studies to measure the benefits to rural communities provided by specific RC&D Councils have been undertaken in the last 25 years, reporting provided through the NRCS Program Operations Tracking System (POINTS) shows that through the implementation of projects, Councils have brought between $6 and $8 for each $1.00 invested by the Federal government back to their communities in the form of donated materials, professional services and volunteer time.

COMMODITY SUPPLEMENTAL FOOD PROGRAM

Question. Mr. Secretary, once again the administration is proposing to eliminate the CSFP Program. However, in the budget, the inventory at the end of fiscal year 2008 is estimated to be $36,239,000 which is $6,065,000 higher than the inventory at the end of fiscal year 2007.

If this program is slated for elimination, why is USDA allowing inventory buildup instead of using it to fund current program needs, especially considering that the CSFP caseload was actually decreased in fiscal year 2008 from the fiscal year 2007 levels?

Answer. The ending inventory is essentially a "rolling" figure that largely represents foods purchased/delivered late in the last quarter of one fiscal year for distribution in the first quarter of the following fiscal year. This practice is necessary to ensure continuity of service to participants as we transition across fiscal years. Until such time as the Congress adopts the President's proposal to cease program operations in 2009, we plan to carry over sufficient inventory from fiscal year 2008 to assure service continuity in fiscal year 2009. The increase in the dollar value of projected fiscal year 2008 ending inventory is a function of rising food costs and the need to meet anticipated delivery demand.

With the exception of a small volume of foods that are purchased for the program through a single annual procurement, there is no significant undistributed program inventory held at the Federal level at any time during the program year.

Question. What does USDA intend to do the $36,239,000 at the end of fiscal year 2008 if Congress agrees with the administration's proposal to eliminate CSFP?

Answer. Should Congress choose to adopt the President's fiscal year 2009 budget request, commodities remaining in CSFP inventories next fiscal year will be re-donated for use in other domestic nutrition assistance programs, including the Emergency Food Assistance Program (TEFAP).

DAIRY PRICES AND NUTRITION PROGRAMS

Question. Over a year ago, I wrote USDA out of concern for a pending Federal milk marketing order proposal which would raise fluid, or Class I milk prices. In that letter I explained how this decision would disadvantage dairy farmers in the Upper Midwest, and attached documentation showing that the proposal was inconsistent with previous department Federal order policies.

It has been almost 18 months since USDA held an "emergency hearing" on this issue, and I presume that you must be close to a decision. Before you make that decision; however, I would like you to advise the subcommittee of any impact your proposed decision would have on the costs of the WIC program. I would also like you to consult with the Congressional Budget Office on how you estimate the impact of your decision on the WIC program, and other USDA nutrition programs, including the School Lunch program. I am interested to know if the pending decision would add to these costs by arbitrarily increasing the Class I differentials throughout the country.

It is my understanding that, under OMB internal guidance to all Federal agencies, any administrative decision that raises outlays or the cost of another Federal program must be offset by a reduction elsewhere. If you make this decision to raise milk costs, please also advise this subcommittee on how you will be offsetting the increased costs to WIC and other impacted nutrition programs.

Answer. OMB does not require offsets for impacts on discretionary programs. However, OMB may require an offset for the impact of the increase on the Food Stamp Program and other mandatory programs.

TART CHERRIES

Question. On January 8 USDA announced its intention to purchase up to 8.1 million pounds of tart red cherries. This is a matter of some importance to producers in my State and others. They point out that weather conditions in cherry growing regions have been ideal for a large crop this coming year. They fear an unmanageable carryover stocks and surplus of cherries in the coming year and would like to see USDA take further steps under this announcement by June 2008.

Could you give the subcommittee and update on your actions in this area?

Answer. The Department will complete the entire 8.1 million pound bonus cherry program as announced by June 2008. Thus far, USDA has purchased a total of 4.7 million pounds of canned, frozen and dried cherries for distribution to child and domestic food assistance programs. At present, USDA is in the process of purchasing an additional 1.1 million pounds of frozen cherries and will complete the program with a purchase of 2.3 million pounds of dried cherries.

ORGANIC PASTURE

Question. One of the central tenets of organically produced livestock and livestock products is the requirement that animals be given access to pasture. Current USDA National Organic Program Regulations require access to pasture for all ruminant animals (§205.237, §205.239).

However, in recent years, it has become clear that some organic dairies have been permitted to sell milk as "organic" even though their cows have not had access to pasture. When challenged about why they are permitting some dairy operations to skirt the pasture standards, USDA's National Organic Program has stated that the regulation is too vague for them to adequately enforce.

Therefore, the agency issued an Advanced Notice of Proposed Rulemaking to solicit input from the public about the pasture issue. In order to facilitate this process, a Pasture Symposium was convened by USDA in April of 2006 in State College, Pennsylvania to hear from certifiers, farmers, consumers, and industry regarding pasture standards. Based on input received at the Pennsylvania Symposium and subsequently, USDA had indicated its intention to issue a Proposed Rule in 2006 to update the organic standards to make a more specific pasture standard for organic livestock.

Now nearly 2 years later, no proposed rule has been issued on this issue. It is critical to the entire organic sector that USDA move forward with rulemaking to establish a strong, enforceable organic standard to require access to pasture for ruminant animals.

Please provide an update on this situation, and explain the delay. When can we expect to see a proposed rule out to the public for comment?

Answer. AMS received over 80,000 comments based on the Advanced Notice of Proposed Rulemaking (ANPR) issued in April 2006, most urging a larger role for pasture in the National Organic Program regulations. After analysis of all com-

ments, a proposed rule was drafted, which is now in Departmental clearance. AMS plans to publish it by the end of this fiscal year.

POTATOES AND WIC

Question. USDA published an interim final rule that expands the eligibility for the WIC program to include all fresh fruits and vegetables with the single exception of "white potatoes".

Please explain the public policy and nutritional rationale for excluding fresh white potatoes from the expanded WIC voucher program.

Answer. The changes to the WIC food packages were made based on scientific recommendations from the National Academies' Institute of Medicine (IOM). The IOM was charged with reviewing the nutritional needs of the WIC population—low-income infants, children, and pregnant, postpartum and breastfeeding women who are at nutritional risk—and recommending changes to the WIC food packages.

The restriction of white potatoes, as recommended by the IOM, is based on (1) food intake data indicating that consumption of starchy vegetables by the WIC-eligible population meets or exceeds the amounts suggested in the 2005 Dietary Guidelines for Americans for consumption of starchy vegetables; and (2) food intake data showing that white potatoes are the most widely consumed starchy vegetable.

Question. Please provide a description of the process and an estimate of the cost of compliance for the exclusion of a single fruit or vegetable from the program.

Answer. Generally, on an annual or biennial basis, WIC State agencies determine what foods to include on their State WIC food lists from the list of federally authorized WIC-eligible foods. In making their determination, State agencies consider factors such as product availability, participant acceptance, and costs.

There is no compliance costs for the exclusion of a single fruit or vegetable from the WIC Program because it is a part of normal business practice for State agencies to determine which foods will be eligible for the State WIC program.

NATIONAL ARBORETUM

Question. In reviewing the administration's budget for the U.S. National Arboretum, we note a proposed cut of $2 million from the Gardens Unit and the Education and Visitor Services Unit.

Please explain why these cuts have been proposed.

Answer. The reductions have been proposed to address higher research priorities of the administration, such as bioenergy, food safety, and obesity prevention.

Question. Did the specificity of these cuts, i.e., that they must come from Gardens and Education and Visitor Services at the National Arboretum, originate from an OMB mandate to the USDA, from the senior administration of the Department or from within the ARS itself?

Answer. ARS programs were reviewed for relevance, quality, impact, and cost effectiveness in the overall context of competing program priorities in the Department and the administration's goal to balance the Federal budget by 2012.

Question. How do you intend to execute these cuts and maintain compliance with your legal obligation to provide education at the U.S. National Arboretum, a mandate which Congress spelled out in the legislation which established the National Arboretum?

Answer. ARS would continue to provide education at the U.S. National Arboretum at a reduced scope.

Question. If these cuts are implemented, what will be the impact on the USNA?

Answer. The Arboretum would emphasize research activities and reduce funding for its non-research activities. The Gardens Unit and Education and Visitor Services Unit would be merged. Resources to maintain the gardens and plant collections would be reduced and educational activities and use of the arboretum by outside organizations would be limited.

Question. Will there be any curtailment of days or hours of operation?

Answer. Yes, public access time would most likely be reduced.

Question. Will you be able to maintain all of the current Garden Displays and Plant Collections currently at the Arboretum?

Answer. The Arboretum would most likely have to reduce in size several of the existing collections and no longer actively maintain other collections.

Question. Will there be a reduction in the number of staff positions currently approved for the Arboretum and if so, how many and where?

Answer. Yes, there would be a reduction in staff. The Gardens Unit will be reduced from the current level of 26.6 FTE to 13.5 and the Education and Visitor Services Unit will be reduced from 11.7 to 3.7 FTE positions.

Question. Do you think the ARS is still the appropriate administrative home for the National Arboretum in light of the Department's desire to focus on research and the fact that the Arboretum has become an increasingly popular destination for the general public to visit?

Answer. USDA views the National Arboretum as a national asset and has taken pride in its public displays. ARS is committed to research supporting the floral and horticultural industries.

NATIONAL ORGANIC PROGRAM REORGANIZATION

Question. The recent announcement of a reorganization of the National Organic Program included information on who would head several branches of the program, although not the compliance and enforcement branch. When will you name the head of this program?

Answer. AMS is in the midst of staffing the compliance and enforcement branch and plans to have it staffed by the end of fiscal year 2008, including the announcement of the head of the branch.

COUNTRY OF ORIGIN LABELING

Question. What steps is USDA taking to ensure that mandatory country of origin labeling will be in effect as required by September 30, 2008?

Answer. USDA is working with all parties to expedite the development and publication of the necessary rulemaking. The rule must be published in the Federal Register by July 30 to meet the September 30, 2008, implementation date for mandatory country of origin labeling on all covered commodities. USDA is on-track to meet these deadlines.

Question. How has USDA spent funds allocated for enforcement of existing rules for mandatory country of origin labeling for seafood products? What audits or other enforcement actions have been done?

Answer. The $1.1 million in appropriated funding allocated for the country of origin labeling program is used for all regulatory and oversight activities, rulemaking, outreach, education, monitoring and enforcement-related activities for fish and shellfish. Surveillance reviews of randomly-selected retail stores began in August 2006. During 2006, 1,159 retail surveillance reviews were performed in 19 States. During fiscal year 2007, AMS performed 1,657 retail surveillance reviews in 23 States. COOL retail surveillance activities have expanded to all 50 States for fiscal year 2008, increasing the number of retail reviews to 2,000. AMS has entered into reimbursable cooperative agreements with 42 States as of March 2008. USDA employees will perform retail surveillance in the remaining eight States.

AMS AUDITS

Question. FSIS non-compliance reports can be obtained through Freedom of Information requests, although AMS does not make public audit reports issued by AMS auditors of the same facilities that sell meat and poultry products to the National School Lunch Program. Why is this?

Answer. AMS audit reports of contractors and suppliers to Federal food and nutrition assistance programs are available under the Freedom of Information Act. However, proprietary information related to a firm's business and other sensitive information contained in the reports may be withheld, if deemed appropriate by the Agency.

Question. How often do AMS auditors visit food establishments that sell products to USDA feeding programs?

Answer. An AMS meat grader is present at the facility when ground beef is being processed for delivery under Federal contracts. Additionally, an AMS auditor performs an unscheduled audit of the grinding and slaughter processes once per month (or contract) while the facility is producing AMS purchased product. Additionally, AMS is cooperatively working with FSIS on cross-utilizing AMS employees to provide an enhanced surveillance program for the livestock holding and movement areas of slaughter establishments that provide raw materials.

RISK BASED INSPECTION

Question. At the February 5, 2008, meeting of the National Advisory Committee on Meat and Poultry Inspection, FSIS distributed a document entitled, "Timeline for Development and Implementation of the Proposed Public Health Risk-Based Inspection System, Public Health Information System and Poultry Slaughter Rule." Please provide a copy of the timeline and explain how it was developed.

Answer. The draft timeline was developed based on the agency's plan to strengthen its infrastructure and the continued enhancement and evolution of inspection. The timeline was and is still considered to be a draft, and is subject to substantial revisions as the agency receives input from all stakeholders. The draft is provided for the record.

[The information follows:]

TIMELINE FOR DEVELOPMENT AND IMPLEMENTATION OF THE PROPOSED PUBLIC HEALTH RISK-BASED INSPECTION SYSTEM, PUBLIC HEALTH INFORMATION SYSTEM AND POULTRY SLAUGHTER RULE

January 28, 2008.—Post the reports listed below on FSIS website for public comment:

—Public Health Risk-Based Inspection Technical Report for Processing and Slaughter.

—Public Health Risk-Based Inspection Technical Report for Poultry Slaughter.

January 28, 2008.—Submit Public Health Risk-Based Inspection (PHRBI) reports for peer review.

February 5–6, 2008.—NACMPI Full Committee meeting on Public Health Risk-Based Inspection.

February 29, 2008.—SAIC to deliver draft requirements document to FSIS for Public Health. Information System (PHIS).

March 22, 2008.—Receive NACMPI, public and peer review comments on Public Health Risk-Based Inspection Reports.

March 2008.—Submit proposed rule on poultry slaughter for FSIS Assistant Administrator Review.

March 31, 2008.—FSIS approves SAIC requirements document for PHIS.

April 17, 2008.—Complete revision of PHRBI reports according to NACMPI, public and peer review comments.

April 18, 2008.—Send PHBRI report to OIG.

April 2008.—Submit proposed poultry slaughter rule to OGC for review.

April—Aug. 2008.—Draft directives, notices, and other needed documents, based upon approved PHIS requirements.

Spring 2008.—Submit proposed poultry slaughter rule to OMB.

Summer 2008.—Publish proposed poultry slaughter rule.

April–Sept. 2008.—Develop training schedule, detailed training plan, and logistics to deliver training to approximately 5,000 FSIS employees for the proposed PHRBI System and the PHIS.

October 2008.—Develop detailed plan to implement and initiate training for the proposed PHRBI System and the PHIS to FSIS field personnel.

January 2009.—Conduct User Acceptance Testing and begin field testing PHRBI system and PHIS.

October 2009.—Deploy PHRBI system and PHIS for use in field.

FSIS VACANCY RATES

Question. Please provide a tabular report of the in-plant inspection personnel vacancy rate broken down by job title and FSIS district for each of the past 6 months.

Answer. I will provide, for the record, a FSIS in-plant inspection personnel report that displays permanent full-time positions for each of the past 6 months (using data from the end of the pay-period closest to the end of the month).

[The information follows:]

DISTRICT PFT EMPLOYMENT AND OTP USAGE

[As of October 27, 2007]

DISTRICT	NON-INPLANT			INPLANT							FISCAL YEAR ALLOCS 4/ 11/07	DIFFER	FISCAL YEAR 2007 ALLOCS 4/ 11/07	OPT USAGE		
	DIST OFC	FLS	TOTAL	EGG	VMS	VMO	FI	CSI	EIAO	TOTAL				PP USAGE	YTD USAGE	AVAIL
ALAMEDA	13	14	27	6	.....	34	132	235	11	418	427	−9	9.00	0.2034	0.37	8.63
DENVER	11	12	23	7	1	45	120	246	17	436	437	−1	6.00	0.1582	0.29	5.71
MINNEAPOLIS	13	7	20	10	1	44	93	149	11	308	326	−18	6.00	0.2478	0.55	5.45
DES MOINES	11	11	22	29	1	63	299	198	11	601	615	−14	18.00	0.3485	0.69	17.31
LAWRENCE	12	8	20	5	1	52	258	201	10	527	520	7	16.00	0.4549	0.89	15.11
SPRINGDALE	14	10	24	2	1	71	320	297	10	701	713	−12	60.00	1.9458	3.68	56.32
DALLAS	113	9	22	2	1	54	257	193	9	516	515	1	35.00	0.9899	1.97	33.03
MADISON	12	7	19	7	1	31	65	127	8	239	240	−1	5.00	0.1392	0.32	4.68
CHICAGO	12	13	25	12	1	42	104	229	20	408	400	8	11.00	0.5672	0.91	10.09
PHILADELPHIA	14	12	26	8	1	39	78	242	15	383	400	−17	7.00	0.2790	0.49	6.51
ALBANY	13	11	24	4	1	15	5	194	12	231	250	−19	2.00	0.0728	0.12	1.88
BELTSVILLE	11	7	18	.....	1	42	201	163	9	416	432	−16	20.00	0.5906	1.12	18.88
RALEIGH	10	10	20	.....	1	66	393	229	11	700	670	30	52.00	1.9352	3.60	48.40
ATLANTA	12	14	26	3	1	69	399	393	15	779	765	14	33.00	1.1123	2.05	30.95
JACKSON	14	10	24	2	1	92	426	317	13	851	855	−4	80.00	2.8497	5.53	74.47
TOTAL	185	155	340	97	14	759	3150	3312	182	7514	7565	−51	360.00	11.8945	22.57	337.43

KEY:
FLS—Frontline Supervisor
EGG—Egg Inspection
VMS—Veterinary Medical Specialist (Humane Slaughter)
VMO—Public Health Veterinary
FI—Food Inspector
EIAO—Enforcement Invest. & Analysis Officer
CSI—Consumer Safety Inspector

DISTRICT PFT EMPLOYMENT AND OTP USAGE

[As of November 24, 2007]

DISTRICT	NON-INPLANT			INPLANT							FISCAL YEAR ALLOCS 4/ 11/07	DIFFER	FISCAL YEAR 2007 ALLOCS 4/ 11/07	OPT USAGE		
	DIST OFC	FLS	TOTAL	EGG	VMS	VMO	FI	CSI	EIAO	TOTAL				PP USAGE	YTD USAGE	AVAIL
ALAMEDA	13	14	27	8	.....	34	132	231	10	415	427	−12	9.00	0.1835	0.81	8.19
DENVER	12	12	24	7	1	45	126	246	17	442	437	5	6.00	0.1129	0.55	5.45
MINNEAPOLIS	13	7	20	10	1	43	92	151	11	308	326	−18	6.00	0.1961	1.02	4.98
DES MOINES	12	11	23	29	1	63	301	200	11	605	615	−10	18.00	0.3691	1.36	16.64
LAWRENCE	12	8	20	5	1	52	258	203	10	529	520	9	16.00	0.5773	1.99	14.01
SPRINGDALE	14	10	24	2	1	71	320	296	10	700	713	−13	60.00	2.0607	7.55	52.45
DALLAS	13	9	22	2	1	53	253	194	9	512	515	−3	35.00	0.9025	3.87	31.13
MADISON	12	7	19	7	1	30	68	127	8	241	240	1	5.00	0.0805	0.50	4.50
CHICAGO	13	13	26	12	1	41	103	231	21	409	400	9	11.00	0.4083	1.82	9.18
PHILADELPHIA	14	12	26	8	1	39	78	242	15	383	400	−17	7.00	0.2455	1.01	5.99
ALBANY	13	11	24	4	1	15	5	193	12	230	250	−20	2.00	0.0536	0.25	1.75
BELTSVILLE	11	7	18	.....	1	41	200	163	9	414	432	−18	20.00	0.5407	2.26	17.74
RALEIGH	10	9	19	.....	1	65	397	229	12	704	670	34	52.00	1.7605	7.03	44.97
ATLANTA	13	14	27	3	1	69	398	292	16	779	765	14	33.00	0.8834	3.91	29.09
JACKSON	14	10	24	2	1	95	431	317	13	859	855	4	80.00	2.4688	10.81	69.19
TOTAL	189	154	343	99	14	756	3162	3315	184	7530	7565	−35	360.00	10.8434	44.73	315.27

KEY:
FLS—Frontline Supervisor
EGG—Egg Inspection
VMS—Veterinary Medical Specialist (Humane Slaughter)
VMO—Public Health Veterinary
FI—Food Inspector
EIAO—Enforcement Invest. & Analysis Officer
CSI—Consumer Safety Inspector

DISTRICT PFT EMPLOYMENT AND OTP USAGE

[As of January 5, 2008]

DISTRICT	NON-INPLANT			INPLANT							FISCAL YEAR ALLOCS 4/ 11/07	DIFFER	FISCAL YEAR 2007 ALLOCS 4/ 11/07	OPT USAGE		
	DIST OFC	FLS	TOTAL	EGG	VMS	VMO	FI	CSI	EIAO	TOTAL				PP USAGE	YTD USAGE	AVAIL
Headquarters	36	.....	36	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
ALAMEDA	13	14	27	8	1	33	131	235	10	418	427	−9	9.00	0.2545	1.53	7.47
DENVER	12	12	24	7	1	43	128	243	17	439	437	2	6.00	0.1638	1.14	4.86
MINNEAPOLIS	13	7	20	9	1	43	83	162	10	308	326	−18	6.00	0.1851	1.64	4.36
DES MOINES	10	11	21	29	1	60	301	199	11	601	615	−14	18.00	0.2692	2.18	15.82
LAWRENCE	12	8	20	5	1	52	254	206	10	528	520	8	16.00	0.5024	3.52	12.48
SPRINGDALE	13	10	23	2	1	69	307	312	10	701	713	−12	60.00	1.5733	13.52	46.48
DALLAS	13	9	22	2	1	55	250	196	9	513	515	−2	35.00	0.9564	6.94	28.06
MADISON	12	7	19	7	1	30	63	132	8	241	240	1	5.00	0.1073	0.81	4.19
CHICAGO	13	13	26	12	1	43	97	238	21	412	400	12	11.00	0.3399	3.03	7.97
PHILADELPHIA	14	12	26	8	1	39	71	250	15	384	400	−16	7.00	0.1529	1.70	5.30
ALBANY	12	11	23	4	1	16	5	196	12	234	250	−16	2.00	0.0383	0.38	1.62
BELTSVILLE	11	7	18	.....	1	41	198	166	9	415	432	−17	20.00	0.6036	4.17	15.83
RALEIGH	10	9	19	.....	1	63	400	228	12	704	670	34	52.00	1.4529	11.71	40.29
ATLANTA	14	14	28	3	1	67	390	300	16	777	765	12	33.00	0.7375	6.27	26.73
JACKSON	14	11	25	2	1	94	429	313	12	851	855	−4	80.00	2.4978	19.40	60.60
TOTAL	222	155	377	98	15	748	3107	3376	182	7526	7565	−39	360.00	9.8349	77.95	282.05

KEY:
FLS—Frontline Supervisor
EGG—Egg Inspection
VMS—Veterinary Medical Specialist (Humane Slaughter)
VMO—Public Health Veterinary
FI—Food Inspector
EIAO—Enforcement Invest. & Analysis Officer
CSI—Consumer Safety Inspector

DISTRICT PFT EMPLOYMENT AND OTP USAGE

[As of February 2, 2008]

DISTRICT	NON-INPLANT			INPLANT							FISCAL YEAR ALLOCS 4/ 11/07	DIFFER	FISCAL YEAR 2007 ALLOCS 4/ 11/07	OPT USAGE		
	DIST OFC	FLS	TOTAL	EGG	VMS	VMO	FI	CSI	EIAO	TOTAL				PP USAGE	YTD USAGE	AVAIL
ALAMEDA	13	13	26	7	1	35	144	222	10	419	427	−8	9.00	0.2198	2.11	6.89
DENVER	12	10	22	7	1	43	127	240	16	434	437	−3	6.00	0.2027	1.51	4.49
MINNEAPOLIS	13	6	19	9	1	42	95	149	10	306	326	−20	6.00	0.1040	1.89	4.11
DES MOINES	11	11	22	28	1	62	301	199	11	602	615	−13	18.00	0.2107	2.58	15.42
LAWRENCE	11	8	19	5	1	52	256	203	10	527	520	7	16.00	0.4594	4.64	11.36
SPRINGDALE	11	10	21	2	1	69	358	260	10	700	713	−13	60.00	1.9725	17.89	42.11
DALLAS	12	9	21	2	1	56	256	193	9	517	515	2	35.00	0.9389	8.82	26.18
MADISON	12	7	19	7	1	31	66	128	8	241	240	1	5.00	0.0966	1.00	4.00
CHICAGO	13	13	26	12	1	41	107	227	21	409	400	9	11.00	0.2597	3.62	7.38
PHILADELPHIA	13	12	25	8	1	39	82	241	15	386	400	−14	7.00	0.1291	2.01	4.99
ALBANY	11	11	22	4	1	16	6	193	10	230	250	−20	2.00	0.0383	0.46	1.54
BELTSVILLE	11	7	18	.....	1	41	205	154	9	410	432	−22	20.00	0.6251	5.45	14.55
RALEIGH	10	9	19	.....	1	61	400	228	9	699	670	29	52.00	1.4623	14.48	37.52
ATLANTA	12	14	26	3	1	67	405	236	15	777	765	12	32.00	0.7252	7.75	25.25
JACKSON	13	9	22	2	1	94	473	263	11	844	855	−11	80.00	2.9460	25.41	54.59
TOTAL	178	149	327	96	15	749	3281	3186	174	7501	7565	−64	360.00	10.3903	99.63	260.37

KEY:
FLS—Frontline Supervisor
EGG—Egg Inspection
VMS—Veterinary Medical Specialist (Humane Slaughter)
VMO—Public Health Veterinary
FI—Food Inspector
EIAO—Enforcement Invest. & Analysis Officer
CSI—Consumer Safety Inspector

DISTRICT PFT EMPLOYMENT AND OTP USAGE

[As of March 1, 2008]

DISTRICT	NON-INPLANT		TOTAL	INPLANT							TOTAL	FISCAL YEAR ALLOCS 4/ 11/07	DIFFER	FISCAL YEAR 2007 ALLOCS 4/ 11/07	OPT USAGE		
	DIST OFC	FLS		Inplant Inspection											PP USAGE	YTD USAGE	AVAIL
				VMO	FI-7	CSI-7	EGG	CSI 8–10	VMS	EIAO							
ALAMEDA	13	11	24	35	128	19	7	221	1	10	421	427	−6	9.00	0.1674	2.45	6.55
DENVER	12	9	21	44	127	.....	7	241	1	16	436	437	−1	6.00	0.2998	2.05	3.95
MINNEAPOLIS	13	7	20	43	87	10	9	148	1	8	306	326	−20	6.00	0.1287	2.17	3.83
DES MOINES	11	12	23	61	299	.....	30	198	1	11	600	615	−15	18.00	0.2955	3.10	14.90
LAWRENCE	11	8	19	53	256	.....	5	206	1	10	531	520	11	16.00	0.5001	5.66	10.34
SPRINGDALE	12	10	22	70	288	69	2	257	1	9	696	713	−17	60.00	2.0443	21.93	38.07
DALLAS	12	9	21	54	249	3	2	194	1	9	512	515	−3	35.00	1.0341	10.92	24.08
MADISON	12	8	20	32	59	9	7	130	1	7	245	240	5	5.00	0.0830	1.12	3.88
CHICAGO	13	13	26	41	96	10	12	230	1	20	410	400	10	11.00	0.3867	4.39	6.61
PHILADELPHIA	14	11	25	40	76	9	8	240	1	15	389	400	−11	7.00	0.1190	2.29	4.71
ALBANY	11	11	22	15	4	2	4	194	1	10	230	250	−20	2.00	0.0517	0.58	1.42
BELTSVILLE	10	7	17	40	196	7	.....	155	1	8	407	432	−25	20.00	0.7408	6.92	13.08
RALEIGH	11	10	21	61	400	2	.....	228	1	12	704	670	34	52.00	1.7305	17.89	34.11
ATLANTA	12	14	26	66	392	12	3	284	1	16	774	765	9	33.00	1.0065	9.66	23.34
JACKSON	13	9	22	94	428	53	2	268	1	11	857	855	2	80.00	3.1773	31.76	48.24
TOTAL	180	.....	329	749	3085	205	98	3194	15	172	7518	7565	−47	360.00	11.7654	122.88	237.12

KEY:
FLS—Frontline Supervisor
EGG—Egg Inspection
VMS—Veterinary Medical Specialist (Humane Slaughter)
VMO—Public Health Veterinary
FI—Food Inspector
EIAO—Enforcement Invest. & Analysis Officer
CSI—Consumer Safety Inspector

DISTRICT PFT EMPLOYMENT AND OTP USAGE

[As of March 29, 2008]

DISTRICT	NON-INPLANT		TOTAL	INPLANT							TOTAL	FISCAL YEAR ALLOCS 4/ 11/07	DIFFER	FISCAL YEAR 2007 ALLOCS 4/ 11/07	OPT USAGE		
	DIST OFC	FLS		Inplant Inspection											PP USAGE	YTD USAGE	AVAIL
				VMO	FI-7	CSI-7	EGG	CSI 8–10	VMS	EIAO							
ALAMEDA	13	11	24	33	128	19	7	228	1	11	427	427	.....	9.00	0.1678	2.75	6.25
DENVER	13	9	22	44	125	.....	7	241	1	15	433	437	−4	6.00	0.2657	2.58	3.42
MINNEAPOLIS	13	7	20	42	85	10	10	150	1	8	306	326	−20	6.00	0.1821	2.48	3.52
DES MOINES	12	12	24	60	304	.....	30	198	1	11	604	615	−11	18.00	0.4101	3.94	14.06
LAWRENCE	11	8	19	52	251	.....	5	204	1	10	523	520	3	16.00	0.5708	6.70	9.30
SPRINGDALE	12	10	22	71	288	70	2	257	1	9	698	713	−15	60.00	2.3359	26.20	33.80
DALLAS	12	9	21	55	248	3	2	195	1	9	513	515	−2	35.00	1.1638	13.19	21.81
MADISON	12	7	19	32	59	10	7	130	1	8	247	240	7	5.00	0.1060	1.31	3.69
CHICAGO	13	12	25	41	90	16	12	228	1	20	408	400	8	11.00	0.3551	5.23	5.77
PHILADELPHIA	14	12	26	42	73	10	8	243	1	14	391	400	−9	7.00	0.0584	2.51	4.50
ALBANY	11	11	22	14	4	2	4	194	1	10	229	250	−21	2.00	0.0496	0.68	1.32
BELTSVILLE	11	7	18	39	182	18	.....	157	1	8	405	432	−27	20.00	0.7300	8.32	11.68
RALEIGH	10	9	19	61	384	13	.....	231	1	12	702	670	32	52.00	1.9361	21.49	30.51
ATLANTA	12	14	26	66	388	12	3	287	1	16	773	765	8	33.00	0.9165	11.39	21.61
JACKSON	13	11	24	93	427	52	2	267	1	12	854	855	−1	80.00	3.0898	37.90	42.10
TOTAL	182	149	331	745	3036	235	99	3210	15	173	7513	7565	−52	360.00	12.338	146.66	213.34

KEY:
FLS—Frontline Supervisor
EGG—Egg Inspection
VMS—Veterinary Medical Specialist (Humane Slaughter)
VMO—Public Health Veterinary
FI—Food Inspector
EIAO—Enforcement Invest. & Analysis Officer
CSI—Consumer Safety Inspector

QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUYE

COLONY COLLAPSE DISORDER

Question. How are Colony Collapse Disorder (CCD) and other pests and diseases such as Varroa mites affecting domestic honeybee beekeepers and the pollination capacity of U.S. agriculture?

Answer. CCD is a syndrome of honey bees that strikes colonies in fall, winter and early spring, when they are weakest. Forager bees leave the hive and do not return. However, CCD is only one of many problems beekeepers face in maintaining healthy hives. Surveys of bee colony losses over the past 2 years estimated that beekeepers in the U.S. lost 31 percent and 37 percent of their colonies in 2006 and 2007, respectively. This rate of colony loss is not sustainable for beekeepers, and while we are not in a pollination crisis, our ability to meet increasing pollination needs in almonds and other crops is surely threatened.

Question. If pollination capacity is seriously compromised, is our food security seriously threatened and would this constitute a national, if not global, crisis?

Answer. Bees are responsible for $15 billion in added crop value and are as essential to plant reproduction and fruit production as soil and water are to plant growth. Due to invasive pests such as mites, honey bees were already under tremendous stress even before the appearance of CCD. The bee industry and growers cannot absorb yet another major cause of bee loss, particularly with demand for honey bees continuing to increase dramatically due to increased almond acreage, requiring half of the Nation's 2.4 million colonies. Colony rental costs have doubled for almond and blueberry producers. Other crops with heavy reliance on honey bees include alfalfa (for dairy and beef cattle), apples in the East and West, cranberries in the North, and citrus and vegetables throughout the South. If bee colony losses continue or increase, our ability to produce fruits, vegetables and nuts in the United States could indeed be threatened. Similar honey bee losses are occurring around the world and many of these losses are as yet unexplained.

Question. As hives are depleted, what is the Department doing to assist bee keepers with hive restorations? More specifically, what is the Department doing to ensure a long-term supply of queen bees that are free of major pests and diseases such as Varroa mites?

Answer. USDA's-Agricultural Research Service (ARS) is working on means to improve colony survival by testing means to recycle beekeeping equipment from dead hives including beeswax comb fumigation and irradiation to kill pathogens. To insure disease-free queens the Department is working with the queen breeding industry to find means of queen production that consistently produce quality queens that are long lived.

Question. Are there sources of queen bees free of Varroa mites that will play pivotal roles in the restoration of hives and ultimately pollination capacity in the United States? What steps need to be taken to assure preservation of these supplies of queen bees.

Answer. The Hawaiian Islands, particularly Kona on the Big Island (Hawaii), have represented one of only two locations in the world where queens could be produced without the impacts of parasitic varroa and tracheal mites, the other being Australia. Thus, the unique pest-free nature of the Big Island represents a valuable source of quality queens. This is now threatened by the arrival of the varroa mite on Oahu. APHIS is working with the Hawaiian Department of Agriculture to determine what eradication or management options are feasible for limiting the spread of varroa between these islands.

QUESTION SUBMITTED BY SENATOR DIANNE FEINSTEIN

HUMANE SLAUGHTER

Question. Secretary Schafer, over the last 4 months, I have written you three letters expressing my concerns about food safety related to the incidents exposed at the Hallmark/Westland slaughter facility in Chino, California and I also submitted questions for the February 28 subcommittee hearing. I have not received any satisfactory answers to my inquiries.

As you know, I have introduced bipartisan legislation that will establish penalties for those who slaughter or attempt to slaughter nonambulatory animals and will require the release of the names of establishments where recalled meats are sold or served.

Mr. Secretary, could you tell me why you have not used the authorities Congress gave you in the Farm Security and Rural Investment Act Sections 10414 and 10815

to punish violators who treat animals inhumanely and process nonambulatory animals outside of regulation for human consumption?

Answer. USDA has used its existing authority, when appropriate, to ensure animals are treated humanely. Since January 2004, non-ambulatory disabled cattle have been prohibited from the food supply. In July 2007, FSIS issued a final rule, "Prohibition of the Use of Specified Risk Materials for Human Food and Requirements for the Disposition of Non-Ambulatory Disabled Cattle," which confirmed this policy and stated that such cattle would not pass ante-mortem inspection. However, under this rule, if an animal passes ante-mortem inspection and subsequently becomes non-ambulatory before slaughter, the FSIS Public Health Veterinarian must immediately be notified and will determine, on a case-by-case basis, whether the animal was unable to walk due to an acute injury, such as a broken leg. In that case, the animal would be eligible to move on to slaughter operations as a "U.S. Suspect." Such animals are slaughtered separately and receive careful examination and inspection by the FSIS Public Health Veterinarian after slaughter. The Agricultural Marketing Service has longstanding specification requirements for foods purchased for Federal nutrition programs that preclude the use of meat and meat products derived from non-ambulatory disabled livestock.

PENALTIES FOR SLAUGHTER OF NONAMBULATORY ANIMALS

Question. Could you tell me why you have not finalized regulations that require the release of the names of establishments where recalled meats are sold or served?

Answer. The Department is in the process of finalizing the rule.

COMMODITY CROP PAYMENTS

Question. I agree with the position of the United States Department of Agriculture that the Federal Government should not give commodity crop payments to America's wealthiest people. In recent years, the largest recipient of Farm Bill Commodity Payments in California lived in San Francisco, demonstrating that the program does not currently help the small family farmer it was designed to assist. For this reason, I supported reform efforts during consideration of the Farm Bill that would have limited payments to individuals with high incomes.

Efforts to impose an income cap failed because members of the Senate believed that reform provisions included in the committee-passed bill would address this problem, but I am concerned that America's wealthiest people may still receive payments after these reforms are adopted.

Please provide the USDA's best estimate of how many individuals with adjusted gross incomes above $250,000 per year will qualify for commodity payments under your farm bill proposal.

Answer. A September 2007 USDA study found that 25,191 farm operators and 12,906 share landlords had an adjusted gross income (AGI) greater than $200,000 in 2004. In this analysis, no exemption was allowed for those with farm related income making up 75 percent or more of AGI as is done under current legislation. We have no analysis on a cutoff of $250,000 but the USDA study results for $200,000 should be quite similar.

Question. Please compare this to the number of individuals that would qualify under an extension of the current Farm Bill.

Answer. The current AGI cutoff, $2.5 million with an exemption for those with 75 percent or more of their AGI stemming from farm-related income, likely only affects a few hundred producers each year.

Question. Please estimate how much money is saved by adopting the reform proposals in the Senate and House bills, respectively, as it pertains to the adjusted gross income thresholds.

Answer. USDA has no specific analysis of various AGI cutoffs proposed by the House and Senate. The September 2007 USDA study found that, in 2004, farmers and share landlords with an AGI of greater than $200,000 earned close to $400 million in farm payments. Not all of that $400 million should be counted as potential savings as a portion of it was conservation payments which likely will not be subject to a tightened AGI limit.

Question. Please estimate how much money would be saved by reducing the adjusted gross income limits to $500,000; $400,000; $300,000; and $200,000 for farmers regardless of income source.

Answer. The USDA analysis did not include projected savings for limits other than $200,000. Of course, as the limit is raised, fewer farmers would be affected. As only a small percentage of farmers are affected by the $200,000 limit, the higher limits would be expected to have small impacts.

Question. Please also estimate how much money would be saved if Congress exempted farmers from these caps if a certain percentage of income is derived from on-farm income.

Answer. The USDA study found that exempting farmers with 75 percent or more of total income from farming and ranching would reduce savings from the AGI criteria by about 40 percent.

Question. As Secretary of Agriculture, can you think of any reason why government revenues—collected from the incomes of every American—should be spent on commodity payments to Americans whose incomes are in the top 1 percent of all Americans?

Answer. Current commodity program legislation does not contain income targeting other than the $2.5 million AGI cutoff. USDA data indicate that most payments go to farm households that have large incomes compared with other farms and compared with the U.S. average household. Payment eligibility limits based on lower AGI levels would better help ensure equity among farmers.

Question. What percentage of America's farmers have an adjusted gross income exceeding $200,000? Last year, what percent of total Farm Bill spending went to individuals with incomes exceeding $200,000?

Answer. The USDA study found that 1.2 percent of sole proprietors and 2.0 percent of share landlords had AGIs greater than $200,000 in 2004. Together, they earned about 5 percent of payments. That 5 percent includes conservation payments, which likely will not be subject to the AGI limit.

Question. Finally, do Americans in the top income bracket who receive commodity payments pay income taxes on their payments?

Answer. Commodity program payments are taxable income.

CONSERVATION FUNDING CUTS

Question. California relies on USDA's conservation programs to help farmers meet clean air and clean water regulations while still producing some of the crops including fresh fruits and vegetables that are not produced anywhere else in the United States. The President's 2009 budget proposes to cut discretionary funding for conservation; funding that will provide the needed technical resources for our farmers and ranchers to install conservation practices.

Do you believe funding cuts for Farm Bill programs should come from conservation? To preserve conservation funding, where do you think funding cuts should come from?

Answer. Increasing our commitment to conservation programs is important to the Department and the Farm Bill is a major vehicle for addressing the Nation's conservation needs. The President's budget request must be viewed in concert with the Administration's Farm Bill proposal which makes a significant investment in conservation. The proposal would add $775 million to Farm Bill conservation programs in fiscal year 2009 and provides $7.8 billion in new spending over 10 years in the conservation title.

In order to provide this level of investment in conservation, the administration will continue its efforts to reduce or eliminate redundant or lower priority programs and to eliminate Congressional earmarks. In addition, wherever possible, the administration's budget proposal combines and streamlines program design to improve the effectiveness and efficiency of program delivery making even more funding available for important conservation efforts.

COMMODITY SUPPLEMENTAL FOOD PROGRAM

Question. More than 530,000 California seniors, over the age of 65, receive Supplemental Security Income, making them ineligible for Food Stamps. The maximum Supplemental Security Income benefit is $870 per month making it extremely difficult for these seniors to afford food. There is a significant need to expand the Commodity Supplemental Food Program to help more low-income seniors.

Why did the President's budget deem the Commodity Supplemental Food Program as a redundant program and eliminate it in the fiscal year 2009 proposal?

Answer. There is significant overlap between CSFP eligible populations and areas of operation and those of both the WIC Program and the Food Stamp Program. Unlike CSFP, both of these programs are available in communities throughout the United States.

In the administration's view, ensuring adequate funding for programs that have the scope and reach necessary to provide access to eligible people wherever they may reside is a better and more equitable use of scarce resources than to allocate them to programs that cannot provide access to many areas of the country. For this reason, the administration has placed a priority on funding food stamps, WIC, and

other nationally-available programs, such as the administration on Aging programs for seniors and TEFAP, which provide benefits to eligible people wherever they may live, including communities currently served by CSFP. All seniors over age 60 are eligible for both congregate and home-delivered nutrition assistance provided by one of 655 Area Agencies on Aging, which are funded through the Administration Aging in the Department of Health and Human Services. In addition to the Administration on Aging programs for seniors, low-income individuals of any age would have access to TEFAP.

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

RESOURCE CONSERVATION AND DEVELOPMENT PROGRAM (RC&D)

Question. The RC&D program returns $7.50 to local communities for every dollar the Federal Government invests. At a time when we are looking at ways to stimulate the economy, why did you cut this program?

Answer. The proposal eliminates Federal technical assistance to the 375 RC&D councils. The majority of RC&D Areas have received Federal support for at least 10 years. As nonprofit organizations, RC&D councils will still exist and most of these should have the capacity to identify, plan, and address their identified priorities. In addition, the Program Assessment Rating Tool (PART) analysis found the program to be duplicative of other similar resource conservation planning, rural economic development, community programs provided by other USDA agencies (such as the Forest Service and Rural Development), and other Federal departments (such as the Department of Commerce's Economic Development Administration).

Question. NRCS has established performance goals for RC&D in jobs and businesses created and retained. Has RC&D met those goals? Why cut funds for a program that helps create businesses in a time of economic downturn?

Answer. RC&D has met and exceeded the established performance goals for jobs and businesses created and retained each year. The proposal eliminates Federal technical assistance to the 375 RC&D councils. RC&D councils will still exist as nonprofit organizations. The majority of RC&D areas have received Federal technical assistance support for at least 10 years while obtaining financial support for projects from other sources. They can continue to obtain support from other sources to provide assistance to their communities.

Question. It is my understanding the NRCS contracted out for a survey to determine customer satisfaction with their programs and that RC&D received one of the highest scores. Why did you cut a program that the general public is satisfied with and delivered results? Please provide for the record the full results of the American Customer Satisfaction Index Survey and indicate the rank of RC&D compared to other NRCS programs.

Answer. The American Customer Satisfaction Index (ACSI) is the national indicator of customer evaluations of the quality of goods and services available to U.S. residents. It is the only uniform, cross-industry/government measure of Customer Satisfaction. The RC&D program received an ACSI score of 81 compared to the overall Federal Government score of 67.8 and the national sector score of 75.2. Although the program scored highly, the latest program performance review using the Program Assessment Rating Tool (PART) analysis found the program to be duplicative of other similar resource conservation planning, rural economic development, and community programs provided by other USDA agencies (such as the Forest Service and Rural Development) and other Federal departments (such as the Department of Commerce's Economic Development Administration). It is for this reason that elimination of funding has been proposed. The full results of the American customer Satisfaction Index Survey for NRCS programs are as follows:

Program	Year Conducted	Score	Federal Government ACSI	National Sector ACSI
Conservation Technical Assistance (CTA)	2001	81	71.3	72.0
Environmental Quality Incentive Program (EQIP)	2004	75	72.1	74.3
Wildlife Habitat Incentive Program (WHIP)	2004	77	72.1	74.3
Conservation Security Program (CSP)	2005	76	71.3	73.2
Snow Survey and Water Supply Forecasting	2005	77	71.3	73.2
Conservation Technical Assistance (CTA)	2007	79	67.8	75.2
National Resources Inventory (NRI)	2007	57	67.8	75.2
Plant Materials Center (PMC)	2007	83	67.8	75.2
Resource Conservation & Development (RC&D)	2007	81	67.8	75.2
Soil Survey Program	2007	79	67.8	75.2

Program	Year Conducted	Score	Federal Government ACSI	National Sector ACSI
Technical Service Providers (TSP)	2007	78	67.8	75.2
Wetlands Reserve Program (WRP)	2007	69	67.8	75.2

Question. An earmark in the fiscal year 2008 Senate Committee Report for a project in Hawaii was moved by NRCS from the conservation operations budget to the RC&D program. The Senate committee has included this earmark for the project in Hawaii in the conservation operations budget for over 5 years. Why did you move this earmark? The net result is that each council nationally lost $1,800 in funding. Did you seek permission from the committee to move this earmark?

Answer. The earmark for Hawaii was funded from the RC&D budget rather than the Conservation Operations (CO) Program in 2008 because the project scope and intent was more properly aligned with RC&D program objectives and authorities than it was with those of the CO Program. Conservation operations policy was revised recently to state that if an earmark can be appropriately funded through a program other than Conservation Technical Assistance (CTA), then funding from that program source should be used. With this shift in funds, the essence of the earmark (purpose, intent, objectives) did not change.

Question. RC&D Councils are made of volunteers and the program was not designed to move councils to self sufficiency. RC&D Councils are dedicated to putting resources on the ground in communities to address unmet needs. Councils have prided themselves on using grants to serve communities—not for their own administrative costs. What sources of funding do you see for Councils to become self-sufficient?

Answer. Funding needed for RC&D Councils to become self-sufficient would need to come from sources such as State and local governments, private foundations, and other Federal agencies. Councils can request assistance from State governments for funds that are not tied specifically to a project, but are used to assist the Council in covering other costs. A number of States have provided assistance to Councils in the past, such as Alabama, Arkansas, and Georgia.

Question. The fiscal year 2008 appropriation includes a cap on headquarters funding. Are greenbook charges included in the headquarters cap? Please provide an allocation chart that includes all costs—headquarters, State by State, and any other costs assessed to the RC&D program. Please include fiscal year 2007 allocations in the chart for comparison purposes.

Answer. Yes, the agency greenbook charges are included in the amount applied to the headquarters funding cap. In the table below, the greenbook allocations are considered in addition to the National Headquarters allocations and include agency-wide assessments (assessments applied at the headquarters level) and state specific assessment charges. The fiscal year 2007 and 2008 allocations include carryover funds which are considered to be outside of the cap.

The information is provided for the record.

State	2007 Final Allocations	2008 Initial Allocations
Alabama	$1,112,363	$1,070,781
Alaska	940,158	962,592
Arizona	781,445	783,509
Arkansas	901,283	902,792
California	1,476,699	1,432,353
Colorado	942,084	951,806
Connecticut	291,801	296,117
Delaware	143,105	145,222
Florida	1,018,812	990,310
Georgia	1,307,235	1,313,377
Hawaii	595,518	1,259,387
Idaho	1,064,020	1,051,130
Illinois	1,182,516	1,194,401
Indiana	1,039,433	1,070,782
Iowa	1,875,868	1,903,612
Kansas	1,056,396	1,072,020
Kentucky	1,656,085	1,665,661
Louisiana	1,021,730	919,739
Maine	649,112	656,956
Maryland	425,494	435,666
Massachusetts	422,574	435,666

State	2007 Final Allocations	2008 Initial Allocations
Michigan	903,077	919,739
Minnesota	1,042,830	1,051,130
Mississippi	1,000,977	997,706
Montana	972,773	987,160
Missouri	1,035,580	1,051,130
Nebraska	1,406,903	1,427,709
Nevada	426,099	435,666
New Hampshire	306,050	290,444
New Jersey	286,211	290,444
New Mexico	960,090	957,413
New York	997,135	1,000,681
North Carolina	1,107,877	1,189,758
North Dakota	962,746	976,343
Ohio	1,085,578	1,070,782
Oklahoma	1,098,987	1,085,964
Oregon	715,527	726,110
Pennsylvania	1,184,056	1,070,782
Rhode Island	148,005	145,222
South Carolina	918,864	919,739
South Dakota	906,334	919,739
Tennessee	1,172,418	1,189,758
Texas	2,608,788	2,617,467
Utah	1,003,322	944,456
Vermont	285,772	290,444
Virginia	902,960	919,739
Washington	959,292	1,016,554
West Virginia	718,607	729,235
Wisconsin	906,334	919,739
Wyoming	717,668	726,110
Pacific Basin	237,569	303,582
Caribbean Basin	429,316	435,666
National Headquarters	2,910,065	2,572,253
Centers	615,516	479,402
Greenbook	2,047,191	813,932
Undistributed	.....	280,621
Total	52,884,248	52,266,498

Question. Please provide for the record the number of new RC&D coordinators who have been hired in the last 2 years. Please provide for the record the number of training sessions held for new RC&D coordinators (RC&D concepts course and area planning course) and the number of new coordinators trained in the last fiscal year and scheduled for fiscal year 2008.

Answer. Forty-nine new RC&D coordinators have been hired in the last 2 years. One RC&D concepts course and one area planning course was held by the NRCS National Educational Development Center (NEDC) in fiscal year 2006. In fiscal year 2007, training was provided by the national NRCS office through internet "net meetings." Three internet-based area planning courses and three internet-based concept courses were held. In fiscal year 2008 the NEDC plans to hold one concepts course and one area planning course. Twenty-seven of the 49 new coordinators have taken the concepts course, with 23 trained in fiscal year 2007 through the net meetings. Twenty-one of the 49 new coordinators have taken the area planning course with 19 trained in fiscal year 2007 through the net meetings. We do not have information regarding training requests for fiscal year 2008 broken down by position.

Question. How many RC&D coordinators are eligible to retire in fiscal year 2008 and fiscal year 2009? How much does it cost to fill a coordinator vacancy on average?

Answer. Sixty-eight RC&D coordinators are eligible to retire in fiscal year 2008 and an additional 23 will be eligible to retire in fiscal year 2009. On average, it costs approximately $80,000 in relocation costs to fill a coordinator position. This does not include the cost of salary, benefits, vehicle, etc.

Question. What is the average cost to provide a full time coordinator to an RC&D area? What is the current level of funding provided to an average RC&D area in fiscal year 2008?

Answer. The average cost to provide a full time coordinator is approximately $124,500 and this is the average level of funding provided.

Question. Coordinators no longer serve a council full-time. On average how much of a coordinators time is spent on RC&D? What other programs are coordinators working on?

Answer. Although we do not have a national figure for the amount of time a coordinator spends on RC&D Program activities at this time, we are in the process of obtaining the information for the record. Qualitative information from discussions with our State offices shows that most Coordinators spend the vast majority of their time on RC&D activities. Time spent implementing Farm Bill programs is charged as Technical Assistance (TA) to the appropriate Farm Bill program. Program and fund integrity is maintained by the agency for the RC&D program and all other programs. The other programs coordinators are working on include Conservation Technical Assistance, Watersheds and Flood Prevention Operations, Watershed Surveys and Planning, and other Farm Bill programs such as the Environmental Quality Incentives Program and the Conservation Security Program.

Question. Please provide for the record the program improvements that have been made to address the OMB PART score concerns.

Answer. Since 2004, significant improvements have been made and in 2006 the program received an increased score performing at an "Adequate" level. Program improvements include: developed and implemented annual, long-term, and efficiency measures; developed and implemented a more targeted allocation methodology designed to address priority program needs; revised the RC&D policy manual to reflect increased emphasis on program performance and linkages to national performance goals; and developed and implemented a new reporting system to track program performance.

In addition, the Agency is taking the following actions to improve the performance of the program: developing and implementing a 5-year comprehensive budget and performance management strategy aligned with NRCS's strategic plan; continuing to streamline the program by updating the allocation methodology, identifying ways to increase local leadership capabilities, and eliminating costs such as those for clerical and office support that can be incurred by councils.

Question. The budget indicates that RC&D duplicates other Federal programs but through its area planning it reviews resources in a community and assesses and addresses unmet needs. In the most rural areas of this country there are often no organizations to act as a fiscal agent and deliver Federal programs without the assistance of an RC&D council. How do you propose to assist these communities in the absence of RC&D?

Answer. RC&D councils are established nonprofit organizations and will continue to play a role in assisting their communities. These councils have developed strategic area plans that identify, plan, and address their agreed priorities. They have experience in obtaining financial support for projects and acting as fiscal agents in their communities. Although the technical assistance provided by NRCS will be eliminated, the councils can continue to act as a fiscal agent in their communities.

Question. The House report included report language that the Committee requests that NRCS work with the Councils to develop appropriate measures of effectiveness for both conservation and economic development. Can you give us an update on how you worked with councils to achieve this? We continue to hear that conservation is the priority—what have you done to be sure that economic development activities can also be provided?

Answer. The RC&D Program's short and long-term program performance and efficiency measures reflect both conservation and community development aspects of the program. These measures were developed in conjunction with the National Association of Resource Conservation and Development Councils (NARC&DC), representing the 375 councils nationwide, to incorporate local council concerns identified through the Area Planning process.

Conservation is a priority for NRCS, but does not exclude Councils' ability to continue to work on community and economic development projects. We have annual and long-term performance measures to capture the community development activities of councils. The annual performance measure is: local businesses created or retained in rural communities. A number of businesses within the agricultural and non-agricultural sectors are eligible. Example businesses include, but are not limited to, manufacturing, service, value-added agriculture, tourism, home-based, and energy related industries. Performance is reported in numbers. This measure is calculated as the sum of new businesses created or businesses retained in the current fiscal year. The long-term performance measure is: Natural resource-based enterprises created or retained that increase employment opportunities, the cumulative

number of jobs created and/or retained with RC&D assistance in natural resource-based industries for fiscal year 2005–2010.

NRCS works closely with local RC&D councils to help them develop and implement projects that support their Area and Annual plans with programs and services from NRCS, other USDA agencies and other private and public entities. By partnering with other entities, NRCS was able to help RC&D councils create or retain 10,723 jobs and 3,185 businesses in 2007.

COUNTRY OF ORIGIN LABELING

Question. With respect to Country of Origin Labeling (COOL), the President addressed COOL as follows in his proposed fiscal year 2009 budget:

Country of Origin Labeling (COOL) becomes mandatory for all covered commodities on September 30, 2008. Currently, AMS operates a small COOL enforcement program for fish and shellfish compliance (the only commodities for which labeling is now required). As part of the 2009 budget, the agency will propose to charge a mandatory fee for the full implementation of a complete COOL enforcement program for the following commodities, in addition to the current fish and shellfish items: muscle cuts of beef (including veal), lamb, and pork; ground beef, ground lamb and ground pork; perishable agricultural commodities; peanuts and the current fish and shellfish items. Additional commodities may also be considered. The additional funds will be deposited into the agency's existing Trust account.

If the USDA has not yet charged a user fee for the implementation of COOL for fish and shellfish, why is the administration now proposing to charge a blanket user fee for all commodities for this program?

Answer. The expansion of mandatory labeling requirements to all covered commodities will greatly increase the cost of operating the program. USDA believes it appropriate for the regulated entities to pay the cost for enforcement-related activities to ensure that covered commodities are labeled in conformity with regulations. Approximately 37,000 retailer locations would be assessed a fee of about $260 annually per location to finance COOL enforcement costs of $9.6 million. The proposed fees would be used to: finance surveillance reviews on all covered commodities at retail establishments on a random basis approximately every 7 years, plus a limited number of supplier trace-back audits; provide training for Federal and State employees on enforcement responsibilities; and develop and maintain an automated web-based data entry and tracking system for records management and violation follow-up. Appropriated funding at the current level would be used for regulatory and oversight activities including rulemaking, outreach and education for suppliers, retailers, and consumers.

Question. What is USDA's most recent estimate for mandatory COOL's implementation cost, for each commodity and for the enforcement of all commodities, on a fiscal year basis, and what factors and expenses did you take into account to arrive at this conclusion?

Answer. USDA's fiscal year 2009 budget request identifies ongoing appropriated funding at $1.1 million and a legislative proposal for new user fee funding at $9.6 million annually for a total of $10.7 million to implement and enforce mandatory COOL for all covered commodities. The user fee cost estimate was based on an expansion of current retailer review activities to incorporate all covered commodities at 5,000 retailers each year at a cost of $900 per location, performed primarily by cooperating State agencies. It also includes more detailed supplier trace-back audits of 300 items each year at 100 locations that require 40 hours per location, at a cost of $1.3 million; Federal personnel to administer these enforcement activities whose salary and support costs total $2 million; and a tracking system with an annual cost of $1.8 million to handle compliance documentation on the approximately 37,000 retail locations.

Question. How much money has USDA spent on implementing the mandatory COOL program for fish and shellfish to date, for each fiscal year since the program was enacted?

Answer. Mandatory country of origin labeling for fish and shellfish became effective in fiscal year 2005. The COOL program was first funded in fiscal year 2006 at $1.05 million, funding continued at $1.05 million in fiscal year 2007, and $1.07 million in fiscal year 2008.

Question. Has USDA requested any money from Congress for COOL program implementation in fiscal year 2009, as it has in the past?

Answer. Congress appropriated $1.05 million for COOL program implementation in fiscal year 2006 and delayed expansion of mandatory COOL requirements until September 30, 2008. Since fiscal year 2006, the funding for COOL program activi-

ties has stayed substantially the same. The fiscal year 2009 budget includes $1.1 million in appropriated funding.

For fiscal year 2009, the Budget proposes that the appropriated funding be used to conduct non-enforcement related COOL activities for all covered commodities. The budget proposal also identifies an additional $9.6 million needed on an annual basis for enforcement-related activities on all covered commodities. This amount is to be provided through the proposed user fee.

COMMODITY SUPPLEMENTAL FOOD PROGRAM

Question. CSFP eligibility is based only on income, while the food stamp program applies resource tests for household eligibility. These eligibility differences will likely prevent many CSFP recipients from participating in the food stamp program. What is your plan for participants who will no longer be eligible for benefits under food stamp guidelines?

Answer. Elderly participants who are leaving the CSFP upon the termination of its funding and who are not already receiving food stamp benefits will be eligible to receive a transitional benefit worth $20 per month ending in the first month following enrollment in the Food Stamp Program under normal program rules, or 6 months, whichever occurs first. The Department believes the number of CSFP participants who are ineligible for food stamps is relatively small. These individuals will be treated no differently than anyone else living in similar circumstances, who are currently unable to participate in the CSFP due to its limited availability.

Former CSFP participants will have access to TEFAP and other government and private non-profit programs that offer community-based food assistance opportunities. Eligible women, infants, and children will be referred to the WIC Program. Finally, all seniors over age 60 are eligible for both congregate and home-delivered nutrition assistance provided by one of 655 Area Agencies on Aging, which are funded through the Administration on Aging in the U.S. Department of Health and Human Services.

Question. Isn't it true that the food stamp program and CSFP are supplemental programs that are meant to work with each other to ease the burden upon our low income seniors?

Answer. The Food Stamp Program is the cornerstone of the national nutrition safety net, and is the largest nutrition assistance program serving the elderly. The Food Stamp Program serves nearly 2 million seniors in an average month. Because CSFP operates in limited areas, some low-income seniors have access to nutrition assistance through commodities as well as food stamps, while almost all other low-income seniors throughout the Nation must rely exclusively on food stamps for such help.

In the administration's view, ensuring adequate funding for programs that have the scope and reach necessary to provide access to eligible people wherever they may reside is a better and more equitable use of scarce resources than to allocate them to programs that cannot provide access to many areas of the country. For this reason, the administration has placed a priority on funding food stamps, WIC, and other nationally-available programs that provide benefits to eligible people wherever they may live, including communities currently served by CSFP. Many elderly CSFP participants are expected to be eligible for, and to make use of the Food Stamp Program, from which they may receive benefits that can be more flexibly used to avoid conflicts with their individual medical issues and other needs.

Question. What will you do for the 25 percent of the CSFP participants who are already enrolled in the food stamp program and would be losing a critical benefit?

Answer. CSFP recipients who are already enrolled in the FSP will continue to receive monthly food assistance benefits and have access to nutrition education services. They will also have access to The Emergency Food Assistance Program and other government and private non-profit programs that offer community-based food assistance opportunities, including congregate and home-delivered nutrition assistance provided by Area Agencies on Aging, which are funded through the Administration on Aging in the U.S. Department of Health and Human Services.

The decision to eliminate CSFP reflects the administration's choice to make the best use of the resources available to serve all eligible people in need of nutrition assistance nationwide, wherever they live. Ensuring adequate funding for programs that have the scope and reach necessary to provide access to eligible people wherever they may reside is a better and more equitable use of these resources than to allocate them to programs that cannot provide access in many areas of the country. For this reason, the administration has placed a priority on funding food stamps, WIC, and other nationally-available programs.

Question. In years past, CSFP has received bartered commodities from USDA. During the second round of bartered commodity purchases, none of the bonus commodities are being directed to CSFP. The National CSFP Association has asked you why this has occurred and it received the response that CSFP will not receive bartered commodities because the administration has proposed elimination of the program. However, in the first round of bartered commodity purchases, $10 million worth of bonus commodities were provided to CSFP and it had been eliminated in the administration's fiscal year 2008 budget then, too. Why is there a discrepancy between this round of bartered commodity purchases and the last round given that the administration's intention to eliminate the program has not changed?

Answer. Under the first round of bartered commodity purchases, the Department provided modest amounts of bartered foods to CSFP, a program available in only limited areas. This modest support helped maintain program participation that was at risk due to funding difficulties. Our intention remains to distribute the majority of bartered commodities to TEFAP, a program which is available nationally.

QUESTIONS SUBMITTED BY SENATOR ROBERT F. BENNETT

RICE STOCK REPORTING

Question. It is my understanding that the National Agricultural Statistics Service has been asked by the rice industry to require additional rice stock reporting dates on June 1 and September 1. Further, I understand that NASS has agreed to implement the June date for 2008.

Will the implementation of these dates require additional staff?

Answer. No. The implementation of each additional quarterly Rice Stocks report requires a total of 0.20 FTE positions. This includes preparation activities, editing, analysis, estimation, and publication. These 0.20 FTEs are current NASS employees and are spread across various Federal staff in the rice estimating States and headquarters.

Question. If not, what are the marginal costs associated with adding one or more date? Please provide a detailed breakdown.

Answer. The marginal out-of-pocket costs associated with implementing each date are estimated at $26,000 in data collection costs; and $4,000 in miscellaneous costs such as postage and supplies. The cost of the 0.20 FTE positions, already in place, is estimated at $20,000 for Federal salaries and benefits.

PUBLIC LAW 480 TITLE II SUPPLEMENTAL REQUESTS

Question. Secretary Schafer, the pending supplemental request from the President contains a request for $350 million in additional funding for Public Law 480 Title II grants. This marks the third consecutive fiscal year the administration has requested exactly $350 million for "emergency" need in this critical international food aid program. Since this is part of an emergency supplemental request, I would assume it is based on unanticipated emergency needs in the program. Yet I find the consistency in this amount over the past several years somewhat interesting.

Is this request in fact based on unanticipated needs? Is it just coincidence that this amount has not changed?

Answer. Although the supplemental request has remained at the same level, the location and nature of the needs have varied by year. The relative areas of focus, for example, have shifted among Darfur, Southern Africa, the Horn of Africa, and Afghanistan. We anticipate changing needs in fiscal year 2009 as well. The President is expected to submit a budget amendment to Congress requesting an additional $395 million for Public Law 480 Title II to provide additional emergency food aid to Africa and other regions as well as to address higher projected commodity and transportation costs.

Question. If not, why is this amount not included in the annual budget submission?

Answer. It is extremely difficult to predict the extent of emergency needs in advance, particularly when development of the annual budget submissions begins over a year before the start of the fiscal year. The supplemental requests have been based on emergency needs that were previously unanticipated and are formulated once post-harvest assessments are complete.

COMMODITY PRICES

Question. Soaring commodity prices and increased volatility in both the cash and futures markets have had drastic ripple effects across all areas of agriculture. One glaring instance of these changes is the havoc that has been wreaked on the Depart-

ment's feeding programs, both domestic and international. It would seem that the rising prices have not only the effect of making it more expensive to feed a person, but also drive the participation rates up by adding people who are no longer capable of self-sufficiency due to higher food costs.

How is the Department dealing with the unpredictability of the costs and subsequent unpredictability of participation rates in these programs?

Answer. The Department has tools and policies in place to respond to changes in projected demand and costs in both the domestic and international food assistance programs. The major domestic programs are designed to respond automatically to annual increases in participation when economic or other circumstances change. The programs' structure helps to ensure that benefits automatically flow into communities, States, or regions of the country in which increased numbers of eligible people apply for benefits.

In the case of the international programs, we have the Bill Emerson Humanitarian Trust (BEHT) which allows the United States to respond to unanticipated emergency food aid needs overseas. The administration recently announced two releases from the BEHT. Last October, the President also requested supplemental appropriations of $350 million for the Public Law 480 Title II program for 2008.

Finally, it is important to note that the Stocks-for-Food initiative that was announced in July 2007 is helping to provide additional commodities for programming under both the domestic and international food aid programs.

Question. Dr. Glauber, what do you see as the main influencing factors in what we are seeing in these markets?

Answer. Many factors are contributing to increased commodity prices. Global economic growth is boosting global demand for food. Real foreign economic growth in 2007 was a strong 4.0 percent and is expected to decline slightly to 3.9 percent in 2008 but remain well above trend, as has been the case beginning in 2004. Asia, excluding Japan, will likely grow at over 7 percent in 2008, above trend for the fifth consecutive year. Higher incomes are increasing the demand for processed foods and meat in rapidly growing developing countries, such as India and China. These shifts in diets are leading to major shifts in international trade.

Crop and livestock production depend on the weather. The multi-year drought in Australia reduced wheat and milk production and that country's exportable supplies of those commodities. Drought and dry weather have also adversely affected grain production in Canada, Ukraine, the European Union, and the United States.

Many exporting countries have put in place export restrictions in an effort to reduce domestic food price inflation. Exporting countries as diverse as Argentina, China, India, Russia, Ukraine, Kazakhstan, and Vietnam have placed additional taxes or restrictions on exports of grains, rice, oilseeds, and other products. This has further constrained food supplies.

Higher food marketing, transportation, processing costs are also contributing to the increase in retail food prices. Record prices for diesel fuel, gasoline, natural gas, and other forms of energy affect costs throughout the food production and marketing chain. Higher energy prices increase producers' expenditures for fertilizer, chemicals, fuel, and oil driving up farm production costs. Higher energy prices also increase food processing, marketing, and retailing costs. These higher costs, especially if maintained over a long period, tend to be passed on to consumers in the form of higher retail prices.

In recent years, the conversion of corn and soybean oil into biofuels has been a factor shaping major crop markets. The amount of corn converted into ethanol and soybean oil converted into biodiesel nearly doubled from 2005/2006 to 2007/2008. The growth in biofuels production has coincided with rising prices for corn, soybeans, soybean meal, and soybean oil. From 2005/2006 to 2007/2008, the farm price of corn has more than doubled and the price of soybeans nearly doubled.

Question. How much of this can be attributed to the massive amounts of our crops now being diverted from the food supply to be used for biofuels production?

Answer. Many factors in addition to biofuels production have contributed to lift current commodity prices above long-term averages. These factors include: record high petroleum prices; weather-related production losses; rapidly rising incomes in large population countries such as China and India; and, unprecedented speculative demand for all types of commodities.

With respect to the effects of biofuels on prices, the exact level of impact is based upon numerous factors. For example, the United States uses about 10 percent of the world's corn production and 1 percent of the world's vegetable oil production for biofuels. The 10 percent of global corn used for biofuels represents only 4 percent of grain (coarse grains, rice, and wheat) production. Based upon current projections, only 1.2 percent of world harvested grain area will be required to meet U.S. ethanol corn demand this year. In addition, for every bushel of corn used to produce ethanol,

17 pounds of distillers dried grains (DDGs) is produced. DDGs can be substituted for corn in many livestock rations and when this offset is taken into account, corn and its equivalent feed value lost through ethanol production represents about 17 percent of current year corn production even though a projected 24 percent of the U.S. corn crop will be used by ethanol producers in 2007/08.

WIC FOOD COSTS

Question. For this subcommittee, the increase has been felt primarily in the WIC program, which makes up one-third of our discretionary budget. The average monthly food cost for the WIC program increased 7.05 percent in fiscal year 2008, which is almost a full percentage point higher than the increase estimated in the President's fiscal year 2008 budget.

Is this trend likely to continue or have we reached a plateau?

Answer. The Department is projecting continued, but considerably slower inflation in average WIC food package costs for fiscal year 2009. The Department's latest Monthly Report to Congress on the WIC Program contains our most current estimate of WIC food package cost inflation for fiscal year 2008.

Question. Is the estimate in the fiscal year 2009 budget for WIC food costs likely to increase? The President's budget only projects an increase of 2.3 percent in fiscal year 2009.

Answer. The Department's projected increase in WIC food package costs of 2.3 percent in fiscal year 2009 is based on a 2.08 percent projected increase in the Thrifty Food Plan (TFP) index plus an adjustment for anticipated changes in some States' infant formula rebate contracts. TFP forecasts are updated semiannually.

USDA plans to revise its fiscal year 2009 WIC food package cost projection when the TFP is next re-estimated as part of the upcoming Mid-Session Review of the President's budget.

FOOD STAMP PARTICIPATION

Question. Food Stamp participation has reached a record high. The growth in the program is astounding. For example, recent news reports indicate that 1 in 10 New York residents, 1 in 8 Michigan residents, and 1 in 6 West Virginia residents are now on food stamps. In addition, many States, including Maryland and Florida, have seen a 10 percent increase in participation in the last year alone. This is particularly troubling because one must be near poverty levels to qualify for food stamps. Specifically, an individual or household's net income cannot be more than the level of poverty to qualify.

What do you attribute increases in food stamp participation to?

Answer. The Food Stamp Program is designed to expand and contract as the economy changes. The Department forecasts an increase in participation for both fiscal year 2008 and fiscal year 2009, consistent with the projected increase in the unemployment rate provided by OMB for use in the development of the fiscal year 2009 budget.

The number of Americans receiving food stamps has increased by over 60 percent since 2000 for a number of reasons.

First, legislative changes made it easier to qualify for food stamps and simplified rules improved program access. The major provisions that contribute to increases in participation include State options for simplified reporting that make it easier for low-income families to participate, restoration of eligibility for many legal immigrants, and replacement of outdated limits on the value of vehicles that participants can own.

Second, the percent of eligible low-income people who participate in the Food Stamp Program has increased in recent years. In 2001, only 54 percent of those eligible for benefits participated. However, by 2005, that proportion had increased to 65 percent. Over the last several years, USDA has engaged in multiple activities including an ongoing outreach campaign to ensure that needy persons are aware of the nutrition assistance available to them. Enrolling more eligible people can further the Nation's goals for improving the nutrition and health of low-income Americans and has been a priority of the Department for several years.

COLOMBIA FREE TRADE AGREEMENT (FTA)

Question. What are the potential negative effects on American agriculture we should expect if the Colombia FTA is not passed by the Congress?

Answer. The effects are many. First, without an agreement, the terms of bilateral trade will continue to grow in favor of Colombia, contributing to a lopsided agriculture trade imbalance. In 2007, Colombia had a positive agricultural trade balance with the United States of $300 million. One reason for this is that nearly all of Co-

lombia's agricultural products enter the United States duty free, under a unilateral trade preference agreement, the Andean Trade Preference and Drug Eradication Act.

However, currently, no U.S. agricultural exports enjoy duty-free access to the Colombian market. With the agreement in place, more than 70 percent of U.S. agricultural product tariff lines—52 percent of the value of U.S. agricultural trade to Colombia—will immediately enter at zero duty. Most all other tariffs on U.S. agricultural products will be reduced to zero within 15 years and all within 19 years.

Second, without the agreement third-country competitors will gain market share at the expense of the United States. Colombia is currently negotiating a free trade agreement with Canada. Besides gaining immediate market share in our largest market in South America, allowing Canada to implement its FTA first will put U.S. exporters at a disadvantage, costing them millions of dollars.

Colombia implements a variable levy known as the price band. Under the U.S.-Colombia Trade Promotion Agreement (CTPA) the price band system, which affects over 150 products including corn, rice, wheat, oilseeds and products, dairy, pork, poultry, and sugar, will be immediately eliminated. Tariffs under the current price band system vary with world prices and can reach as high as the World Trade Organization tariff bindings which range from 15 to 388 percent. Canada will be protected from international price fluctuations due to their agreement to eliminate the variable duty price band system. As long as the United States does not implement the CTPA, U.S. exporters will be subject to variable import duties that could change every 2 weeks. In addition, Canada will have access to markets for new-to-market products in Colombia, such as high quality beef, poultry parts, and select dairy products.

Finally, but no less important, approval of the Colombian agreement would acknowledge and support the transformation of the people and the democratic government of Colombia. The agreement builds on Colombia's revival by enhancing long-term investments in the country. The Colombian people have demonstrated their commitment to deepening a U.S.-Colombian economic and political relationship when the Colombian legislature approved the CTPA last year.

AFRICAN STEM RUST RESEARCH

Question. In the November/December 2007 issue of Agricultural Research, a science magazine published by USDA, there was an article entitled: "World Wheat Supply Threatened!" The article was about USDA's efforts to combat African Stem Rust or Ug99, a highly virulent and aggressive stem rust, which has rapidly spread through Africa and into the Middle East, threatening world barley and wheat production and food security. Most experts believe it eventually will reach the US where most barley and wheat varieties are highly susceptible. The threat to world food security and the US economy from this disease has not diminished.

Why does this budget propose to eliminate ARS funding of $308,000 at St. Paul, Minnesota which supports the agency's lead scientists working on African Stem Rust?

Answer. The 2009 Budget proposes to eliminate all ($41 million) ARS earmarked funding, including $308,000 at the Cereal Disease Laboratory at St. Paul, Minnesota. The Department has proposed termination of all the ARS earmarks because they lack the programmatic control necessary to ensure quality as well as relevance to the core mission of ARS. Within the total proposed for ARS, the 2009 Budget includes $944,000 to continue priority wheat stem rust research.

In fiscal year 2008, the Cooperative State Research, Education and Extension Service (CSREES) plans to fund 1–2 competitive grants totaling $248,000 for aerobiology modeling of Ug99 for assessing potential pathways, timing of incursion and to support rust surveillance. An additional $20,000 in Hatch Act funds will support wheat stem rust research. In fiscal year 2009, CSREES estimates $20,000 in Hatch Act funds will support wheat stem rust research.

Question. How does USDA propose to address the African Stem Rust threat?

Answer. USDA–ARS is leading a national cereal rust research effort and is making key contributions to supporting international cooperative efforts through the Global Rust Initiative to address the new African wheat stem rust. ARS scientists are developing diagnostic tests for rapid identification of the disease should it enter U.S. borders and are contributing to monitoring and surveillance. Additionally, ARS is also developing and testing several new techniques that show promise in monitoring of wheat stem rust epidemics and for characterizing new races of cereal rust pathogens. A set of microsatellite DNA markers for the stem rust fungus has been developed. These markers are useful in tracing the geographical origins of new races

of stem rust. Seedling evaluations are being conducted against African stem rust races to test the susceptibility of U.S. wheat varieties.

In fiscal year 2008, USDA–CSREES plans to fund 1–2 grants for aerobiology modeling of Ug99 for assessing potential pathways, timing of incursion and to support rust surveillance.

FOOD AID "SAFE BOX"

Question. Both the House and Senate versions of the farm bill contained language creating a "safe box" for developmental food aid resources. The language would essentially mandate that a certain amount of food aid resources be used for developmental programs and would not allow them to be diverted to cover emergency needs.

In your opinion, what are some issues that may arise if similar language is included in a Farm Bill?

Answer. Adoption of such a proposal would happen at the worst possible time as our emergency food aid is being seriously affected by rising commodity and transportation costs. Our capacity for emergency assistance has already been diminished by about $265 million to meet higher-than-anticipated commodity and freight prices in fiscal year 2008.

The hard earmark for non-emergency monetization food aid in the House and Senate versions of the farm bill will put millions of lives at risk and undermine our ability to prevent famine. The average level of non-emergency monetization food aid to Private Voluntary Organizations over the course of the last two farm bills has been approximately $360 million. Reserving a significantly higher level of funding to be used solely for non-emergency programs as under consideration in the Farm Bill encroaches and effectively cuts funds for emergency feeding, where food is used to feed hungry people in dire situations.

This set-aside would create a funding shortfall that cannot be filled through other sources. The timing involved in requesting and Congressional approval of supplemental appropriations is unpredictable and untimely. The Bill Emerson Humanitarian Trust holds much lower levels than 5 years ago and does not have sufficient resources to cover emergency needs over the 5-year life of the next Farm Bill.

Question. What would this mean for the emergency needs throughout the world?

Answer. The hard earmarks for non-emergency monetization food aid in the House and Senate versions of the Farm Bill will put millions of lives at risk and undermine our ability to prevent famine.

Question. Would the administration support waiving such a provision?

Answer. The administration strongly opposes a hard earmark for non-emergency food aid. There is limited funding available to meet the highest priority foreign assistance needs, including humanitarian assistance. The administration needs to have the flexibility to prioritize funding to meet the most critical needs.

WIC MONTHLY REPORT AND FISCAL YEAR 2009 BUDGET

Question. In the report accompanying the final fiscal year 2008 appropriations bill, the Committee requested monthly reports on the amount necessary to fund the WIC program in fiscal year 2009. The reason the reports were requested is to hopefully avoid the situation we had during the fiscal year 2008 appropriations process where the subcommittee had to provide $633 million above the President's request and never heard a word from the Department that WIC needs had increased.

The reports were to include projections for food costs and participation and clearly explain how those projections differ from the assumptions made in the budget request and impact the WIC program in fiscal year 2009. The first report the Committee received was not only 2 months late but woefully inadequate. The second report was significantly improved, but still did not provide an assessment of what current participation trends and food costs mean for the fiscal year 2009 budget. For example, the Department leads the Committee to believe that the fiscal year 2009 WIC budget may be inadequate by stating that "reported participation estimates are higher than anticipated," and food costs have increased more than expected. However, the report does not go on to explain whether the Department believes these increases are an anomaly or a real issue that may need to be addressed. Surely, the Department is capable of making a professional judgment about a $6 billion program. Given that WIC is one-third of this subcommittee's discretionary budget, the lack of information being provided is disappointing.

Why has the report been delayed? Do you think the level of detail in the report provided to the Committee adequately reflects what was requested?

Answer. I want to assure you that we take seriously our obligation to provide reports to Congress. The President's Budget request released in February provided

participation and food cost data as requested. We have also provided reports on March 4 and April 4, 2008. We remain committed to working with Congress to provide monthly data regarding current participation levels and monthly food costs, as requested.

Question. What does the statement "reported participation estimates are higher than anticipated" mean? Is this an anomaly or do you think we should be concerned that the fiscal year 2009 request for WIC is not adequate?

Answer. The phrase reported participation estimates are higher than anticipated means that year to date reported program participation suggests that the annual average participation level for the WIC Program will be higher than was projected in, and supported by, the fiscal year 2008 budget.

The President's fiscal year 2009 budget request of $6.1 billion can support an average monthly program participation level of approximately 8.6 million persons in fiscal year 2009. This level of participation can be maintained as a result of savings accruing from the proposed cap on the WIC administrative grant per participant ($145 million) and an increase in estimated available prior year resources from fiscal year 2008.

USDA will continue to closely monitor WIC Program performance including trends in participation and food costs. This information, in conjunction with revised economic projections for fiscal year 2009, will permit the Department to assess the adequacy of the President's fiscal year 2009 budget request. This assessment will be made in conjunction with the annual Mid-Session Review (MSR) of the President's budget. Results of this evaluation will be communicated to the Congress when the President's MSR review is released and we will keep the committee informed through the regular monthly reporting process.

FARM SERVICE AGENCY IT SYSTEM

Question. Mr. Secretary, at this time last year, I was in this room speaking with your predecessor about the major problems with the IT system of the Farm Service Agency and the plans to upgrade and maintain the system. Can you tell us what work has been done over the past year to achieve this?

Answer. There are two projects that are moving forward in parallel: a modernization project and a stabilization project. I will provide a description of both of these for the record.

[The information follows:]

The modernization project has received business case approval to implement a commercial, off-the-shelf software solution. Since last year, USDA has developed MIDAS foundational requirements for governing an "enterprise" software acquisition of this type; USDA has hired a full-time program manager; and we are currently conducting Lean Six Sigma analysis of our USDA Service Center operations. USDA is positioning itself to be ready to move forward into the acquisition phase as soon as funding becomes available.

The stabilization project has focused on reinforcing the elements of our Common Computing Environment infrastructure that failed to host our Web-based software applications successfully. In January 2007, USDA Service Centers experienced a widespread outage with system error messages saying "page cannot be displayed." We have taken specific action to replace firewall technology, increase telecommunication bandwidth capacity, isolate inefficient application software and data bases accesses, install modern monitoring tools within the environment, and establish independent testing environments. Congress provided $37.5 million for this project in fiscal year 2007 including funding for the costs of implementing an independent data warehouse capability. The data warehouse will allow USDA to isolate reporting queries from our transactional, production data bases that carry on the day-to-day delivery processes in order to improve the speed of transactions and improve information security.

Question. What is the status of the system today?

Answer. A minimum level of service delivery has been restored to Web-based software applications. USDA has been fortunate that the level of program activity has been very low due to high commodity prices. Even with low demand for the automated systems, we are still experiencing about 6 hours of unplanned outages per month. This is down considerably from a year ago when unplanned outages approached 16 to 20 hours per month.

Question. What are your plans to secure funds to perform the work you have outlined?

Answer. USDA has provided the authorizing committees with legislative language to amend the CCC Charter Act to allow for the collection of user fees to fund the modernization and stabilization projects.

NATIONAL ANIMAL IDENTIFICATION SYSTEM

Question. In the report accompanying the final fiscal year 2008 appropriations bill, the Committee expressed concern over the direction of the National Animal Identification System (NAIS), especially given the amount of funding provided for the program. The total amount of funding dedicated to NAIS through fiscal year 2008 is more than $127 million. The fiscal year 2009 budget proposes an additional $24.144 million. I appreciate the efforts of USDA to finally develop a business plan for the system last year. However, the budget does not outline how the requested funding will be spent or how the request fits into the plan. The budget only States that this is the amount the program needs to carry out essential activities, without explaining what those "essential activities" are. I think we can agree that $24 million is a significant budget request that warrants more justification.

Please explain in detail how the requested funding will be spent and how the funded activities fit into the business plan.

Answer. USDA will use the $24 million included in the fiscal year 2009 budget request for the following NAIS activities: $3.5 million for information technology (IT) maintenance and development, $10.8 million for cooperative agreements, $800,000 for communications and outreach, and $8.9 million for national program oversight and field activities. Specific short- and long-term milestones related to each of these categories will be provided to the Committee in the coming weeks. Additional information about the plan is provided for the record.

[The information follows:]

For efficient, effective disease containment, animal health officials need the data required to trace a disease back to its source and limit potential harm to animal agriculture. USDA's overall objective is to establish an animal tracing infrastructure that will retrieve traceback data within 48 hours of disease detection. The speed with which animal health officials can access critical animal location and movement information determines the timeliness—and effectiveness—of the disease control and containment effort. USDA defines the retrieval of traceback data within 48 hours as optimal for effective disease containment. This type of effective response can result in huge cost savings to the government in terms of eradication efforts, and producers benefit in terms of property and marketability of livestock. USDA will work toward this long-term objective by implementing immediate, short-term strategies, as outlined in USDA's Business Plan to Advance Animal Disease Traceability. Through the strategies, it is USDA's goal to facilitate increased participation in the NAIS, bolster the existing animal disease response network, reduce the amount of time required to conduct and complete a disease investigation, and continue to build critical Federal-State-industry partnerships necessary for animal disease control and eradication success.

Through existing fiscal year 2008 funds and requested fiscal year 2009 funds, USDA plans to accomplish the following:

—Nearly 100 percent traceability will be achieved for the commercial poultry and swine industries (identification of commercial production units in the required radius of a disease event) with support and cooperation of the National Poultry Improvement Plan and National Pork Board respectively;

—Through continued integration of the National Scrapie Eradication Program with NAIS, over 90 percent of the sheep breeding flock will be identified to their birth premises and approximately 90 percent of the breeding population of goats will be traceable to their birth premises within 48 hours of a disease event;

—Over 90 percent of competition horses will be identified through NAIS compliant processes through the integration of equine infectious anemia testing requirements and interstate certificates of veterinary inspection;

—Over 70 percent of the commercial cattle population born after 2008 will be identified with NAIS compliant identification methods;

—Critical Location Points will be registered in the National Premises Information Repository (nearly 90 percent of the 2,750 county and State fairgrounds and racetracks; 100 percent of the 98 import/export facilities; 70 percent of the 3,388 markets and dealers, including public auctions; nearly 100 percent of the 3,097 harvest facilities, including renderers and slaughter plants; nearly 100 percent of the 34 semen collection and embryo transfer facilities; nearly 90 percent of the 8,000 veterinary clinics (large animal practices that receive livestock); and 100 percent of the 880 licensed food waste swine feeding operations);

—The use of NAIS-compliant animal identification number (AIN) devices will be initiated in breed registry programs;

—The premises identification number will be incorporated in the Dairy Herd Improvement Association's administration of the National Uniform Eartagging Numbering System;

—The electronic brucellosis vaccination and testing system will be fully developed and implemented;
—The NAIS-compliant premises identification number format will be incorporated into existing Federal disease program activities (e.g., vaccination, herd testing, emergency response, etc.); and
—The full integration of approximately 20 animal tracking databases maintained by States and private organizations with the Animal Trace Processing System will be achieved.

CONSERVATION RESERVE PROGRAM (CRP)

Question. Secretary Schafer, can you please explain how the recent increases in commodity prices are affecting enrollment in the CRP program? In your opinion, how will the changes you are seeing affect the program in the years to come? Are there other conservation programs that are showing significant impact from rising commodity prices? What if anything is the Department doing to protect these programs?

Answer. It is still somewhat early to say definitively how recent crop price increases have impacted CRP enrollment. First, we did not conduct a general sign-up last year and do not plan to conduct one this year, so we do not know to what extent interest may have declined. However, continuous sign-up enrollment has actually increased. Recent continuous sign-up enrollment is as follows:

Fiscal Year	Through March	For the Fiscal Year
2006	110,000	348,000
2007	88,000	538,000
2008	148,000	([1])

[1] To be determined.

It is difficult to assess whether enrollment is up due to re-enrollments of expiring contracts or due to continued interest in continuous sign-up.

We are monitoring the extent that participants have been dropping out of the program prior to normal contract terminations. Reports from States indicate that about 130,000 acres were withdrawn between October 2007 and March 2008, but we do not know what future dropouts will be. About the same number of general sign-up acres were "lost" during the entire 2007 fiscal year.

It is also hard to predict enrollment in the years to come. Our baselines have projected that enrollment will decline, at least in the short term. In the fiscal year 2009 President's Budget, enrollment is projected to decline from 36.8 million acres on September 30, 2007 to 34.8 million acres on September 30, 2008, and to 34.2 million acres on September 30, 2009. Because there will not be a general sign-up this year, the 2009 enrollment is now expected to be 34.0 million acres, a 2.8 million acre decline from 2007 levels.

We anticipate the Conservation Technical Assistance Program and the Environmental Quality Incentives Program (EQIP) will see increased attention as acres expire from CRP and need working lands assistance. Producers who wish to enroll in commodity programs on these expiring acres will require a Highly Erodible Land Compliance plan from NRCS. They may also need or wish to enroll in EQIP on these acres.

We anticipate that higher farm income associated with increased commodity prices will result in increased conservation investments by producers, thus increasing demand for existing working lands programs, such as EQIP and the Wildlife Habitat Incentives Program.

We want producers to have successful farming enterprises in conjunction with a healthy environment. In order to prepare for the changing economic picture of farming for energy crops, the administration has proposed a bioenergy reserve. The idea is to encourage production of energy crops such as switchgrass on CRP lands that are well suited and thereby mitigate potential shifts from CRP to cropping where it may not be advisable.

CRP is partially protected from rising crop prices through its rental rate setting policies. In this process, rental rates are set at an average of the 3 most recent years' market rental rates for the area, adjusted for each individual soil's productivity. Rates are periodically updated.

CRP also provides incentives for selected high-priority continuous sign-up enrollments. Practices such as buffer strips are eligible to receive a one-time signing incentive (SIP) of $100 per acre, a practice incentive (PIP) equal to 40 percent of the practice's establishment costs, and an annual incentive of 20 percent of the annual

rental payment. Additional incentives are also provided through the Conservation Reserve Enhancement Program (CREP). In addition to providing SIPs and PIPs, many CREPs pay higher annual incentives.

WIC FISCAL YEAR 2008 BUDGET

Question. Secretary Schafer, escalating food costs and participation has dramatically increased the amount necessary to fully fund the WIC program. With the information available to the subcommittee at the time, we provided an increase of $633 million above the President's request for fiscal year 2008. WIC program funding is now over $6 billion annually. Even with the increase, I am concerned that funding for WIC in fiscal year 2008 may not be sufficient. Do you believe that funding for the WIC program in fiscal year 2008 is adequate?

Answer. Analysis of year-to-date WIC participation and food cost data suggests that program costs for fiscal year 2008 will exceed levels anticipated in the President's fiscal year 2009 Budget and funded by the fiscal year 2008 Consolidated Appropriations Act. Our current analysis of fiscal year 2008 program performance indicates that without additional funds for fiscal year 2008, the program would have a shortfall, even after the release of the remaining $150 million of contingency resources.

Question. If not, are you addressing the shortfall?

Answer. Yes. I am reviewing options that include transferring funds from the Food Stamp Program contingency reserve to the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) to address funding shortfalls in that program.

FSIS BUDGET

Question. In December 2007, the Office of Inspector General released a report on the Food Safety and Inspection Service's plan to implement risk based inspection. In the report, OIG questioned whether "FSIS has the systems in place—to provide reasonable assurance that risk can be fully assessed." OIG identified several specific concerns, including FSIS' assessments of establishments' food safety systems, security over IT resources, and data management concerns.

FSIS agreed with all 35 of the recommendations in the report, and began work on implementing systems changes, including building a new IT system called the Public Health Information System (PHIS). The actions proposed by FSIS in response to the report seem to be very costly. However, the budget does not propose an increase to implement these items, and I'm curious from where the money for the current work on PHIS and other programs is coming.

Is FSIS shifting money from current activities to address the OIG recommendations? If so, which activities and how is this affecting the performance of those activities?

Answer. FSIS has not shifted money from current activities to address the OIG recommendations on implementing the PHIS. In September 2007, FSIS awarded a $15 million contract for PHIS that will enhance our domestic and international inspection functions, export compliance certification functions and our agency-wide predictive analytics capability. The funding was made available at the end of the fiscal year as a result of delays in the hiring process. This contract will cover activities in fiscal year 2008 and fiscal year 2009.

Question. Annually, how much would it cost to address the OIG recommendations and is this amount included in the fiscal year 2009 budget?

Answer. The major cost associated with implementing the OIG recommendations is for strengthening the infrastructure and the development and deployment of PHIS. All fiscal year 2009 funding in support of PHIS and the other ongoing activities identified in the management response to OIG's recommendations is included in the President's budget.

FSIS HUMANE METHODS OF SLAUGHTER

Question. The Hallmark/Westland meat recall that took place in February was the largest meat recall in history and was initiated after it became evident that the company was abusing cattle and had slaughtered cattle that could not stand or walk, commonly known as "downer" cattle, without appropriate inspection. Many people are concerned how the egregious activities that took place at the Hallmark/Westland facility went unnoticed by Food Safety and Inspection Service inspectors. It has been suggested that we enhance USDA inspection and increase oversight of humane handling at slaughter facilities, perhaps by enacting new legislation or more effectively targeting resources.

What does the Department need to make sure that incidents like the Hallmark/Westland don't happen again? Does the Food Safety and Inspection Service need more staff, statutory authority, or staff training?

Answer. The investigation being led by OIG with support from FSIS and AMS is ongoing. Once the investigation has concluded, we will have additional information that, along with the results of the additional verification activities, will determine the actions for FSIS oversight, inspection and enforcement that may be required.

EXPORT CREDIT GUARANTEE PROGRAM

Question. Mr. Secretary, reports in the press indicate that social unrest is building in countries such as Egypt, Morocco, Malaysia, and the Philippines over the rising price and declining availability of basic foodstuffs such as wheat and rice. The GSM–102 export credit guarantee program at USDA is specifically designed to facilitate the purchase of US agricultural commodities by these middle income countries during periods of challenging commodity markets and credit availability.

Unfortunately, to date USDA has made available only $1.23 billion in guarantees for fiscal 2008. This is below the current program need, as evidenced by the fact that applications for approximately twice that amount were received within days of the guarantees being made available. In addition, current law requires that $5.5 billion in guarantees be made available each fiscal year. Under the current Farm Bill extension through April 18 of this year, it would appear that at least $2.86 billion should have already been made available by USDA. Given the current environment, even this amount would likely be below the actual program need.

Can you tell the Committee when USDA will make GSM guarantees available to meet the rising demand for the program and the statutory minimum?

Answer. The administration has treated GSM–102 the same as other programs that are affected by Farm Bill proposals. USDA has made resources available on a proportional share basis consistent with program levels reflected in the 2008 column of the fiscal year 2009 President's Budget. The sharp increase in program demand due to changing world economic conditions and food shortages was not foreseen at the time the 2009 President's Budget was submitted. The administration urges Congress to complete action on a Farm Bill the President can sign as soon as possible. That action will ensure full-year programming for GSM–102.

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

COMMODITY SUPPLEMENTAL FOOD PROGRAM

Question. This is a follow-up question regarding the Commodity Supplemental Food Program (CSFP). It is my understanding that CSFP received a 33 percent increase in funding for fiscal year 2008 to compensate for increased food prices and to allow more program participants. Please provide an analysis on where the increased funding was directed. Please also provide a summary of supply vendor invoices for CSFP product over the last year, in order to account for the increase in food prices and participants? Finally, has USDA used bartered items and free/donated items for the program?

Answer. The $139.7 million appropriation, after rescission, was not sufficient to maintain caseload at the 2007 level due to significant increases in food costs, a substantial reduction in the level of surplus or "free" commodities available to support the program, and a significant increase in the legislatively mandated administrative grant per caseload slot. A total of 473,473 caseload slots were allocated in 2008, slightly lower than the 485,614 slots assigned last year.

In agricultural markets, significantly less food has been, and for the foreseeable future, will be purchased under agriculture support programs and donated for use in domestic nutrition assistance programs, including the Commodity Supplemental Food Program (CSFP). Thus, without the customary levels of donated, or so-called "free" foods, a greater proportion of the cost of food packages in fiscal year 2008 was covered by appropriated funds than was the case in fiscal year 2007. For women, infants, and children, the appropriation must fund $24.27 of the average monthly cost of the food package (up from $21.92 for fiscal year 2007), and $18.15 of the average monthly cost for seniors (up from $16.64), an increase of over 10 percent and 9 percent respectively.

Two examples illustrate the effect of rising food costs on the CSFP food package. In fiscal year 2007, nonfat dry milk was available as free to the program due to abundant supplies of surplus. However, as of mid-fiscal year 2008, the Food and Nutrition Service (FNS) will have to pay an estimated $1.96 per pound to obtain this product. Furthermore, in fiscal year 2007, macaroni cost FNS $0.41 per pound. The

cost for this item has risen to $0.79 per pound in fiscal year 2008, an increase of over 90 percent.

In order to maximize food dollars through economies of scale, USDA purchases CSFP commodities in combination with TEFAP and the Food Distribution Program on Indian Reservations. Therefore, invoice data are aggregated across all three programs, making CSFP-specific invoice sheets unavailable.

With respect to bartered foods available through the Department's Stock-for-Food Initiative, approximately $10 million was distributed to CSFP in order to maintain program participation that was at risk because of funding difficulties.

COLONY COLLAPSE DISORDER

Question. In the fiscal year 2008 Omnibus Appropriations legislation that was signed into law on December 26, 2007, language was included that stated: "Within available resources, the Department is encouraged to take appropriate actions, consistent with the directives in this explanatory statement, to address areas of crop and livestock protection, foods (including food allergens), nutrition, colony collapse disorder, and other areas included in the President's budget for these research needs." Please provide specific information on the amount of funds that USDA has directed to colony collapse disorder (CCD) research and how these funds were used.

With agriculture being PA's largest industry, this issue is important to my home State. Further, I am aware that the Pennsylvania State University has been a key leader and partner with the Agricultural Research Service in CCD research. It is my understanding that the United States is losing about 35 percent of the bee colonies this year as opposed to a 31 percent loss rate last year. There has been effort by Congress to help address this major concern in the long-term through the Farm Bill. However, how does USDA plan on addressing CCD and other pollinator threats in the near future? Does the Department plan on utilizing its authority under CCC or Section 32 to direct funds to emergency assistance for beekeepers or to provide much needed increased funding for research to address this crisis?

Answer. The Department is aware of the devastating effects of colony collapse disorder (CCD) and is utilizing all research funds available to address the issue. Currently, the Department does not plan to use either CCC or Section 32 funds to provide emergency assistance to beekeepers or provide additional funding for research. Information on USDA-funded projects is provided for the record.

[The information follows:]

For comparison purposes, funding information is provided for fiscal years 2006, 2007, and 2008. CSREES provides all funds for multi-year competitive grants in the first year of their existence and does not show recurring costs.

In fiscal year 2007, ARS base funding for honey bee health increased $41,900. ARS also allocated $200,000 of fiscal year 2007 temporary funding to CCD research at Beltsville, Maryland. CSREES grants awarded in the National Research Initiative (NRI) and the Critical and Emerging Issues (CEI) programs for honey bee health research increased $463,432.

In fiscal year 2008, the Agricultural Marketing Service (AMS) will begin testing honey for pesticide residues on a fee basis as part of its Pesticide Data Program. ARS funding for CCD/honey bee health increased $123,400. Additionally to base-funded projects, a critical new project is the new ARS Areawide Project on Honey Bee Health, which is being supported by temporary funding of $670,000 in fiscal year 2008. CSREES will initiate several new projects and increase funding by $1,497,843.

FISCAL YEAR 2006, 2007 AND 2008 FUNDING BY AGENCY

Agency	Name of Project	Location	Funding in fiscal year 2006	Funding in fiscal year 2007	Funding in fiscal year 2008
AMS	Survey of Honey in Consumer Sized Containers at the Retail Level	Pesticide Data Program	(1)	$260,000 (2)	$260,000 (2)
ARS	Preservation of Honey Bee Germplasm	Beltsville, MD	$382,200	384,300	381,500
ARS	Managing Diseases and Pests of Honey Bees to Improve Queen and Colony Health.	Beltsville, MD	1,679,200	1,688,300	1,676,200
ARS	Improving Crop Pollination Rates by Increasing Colony Populations and Defining Pollination Mechanisms.	Tucson, AZ	1,124,300	1,130,700	1,122,800
ARS	Pests, Parasites, Diseases, and Stress of Honey Bees Used in Honey Production and Pollination.	Weslaco, TX	1,879,300	1,890,500	1,877,300
ARS	Breeding, Genetics, Stock Improvement, and Management of Russian Honey Bees for Mite Control and Pollination.	Baton Rouge, LA	1,339,700	1,346,100	1,336,800
ARS	Development and Use of Mite-Resistance Traits in Honey Bee Breeding	Baton Rouge, LA	955,000	960,000	953,000
ARS	Biochemistry of Pest and Beneficial Insects and Interactions with Host Plants and Natural Enemies.	Fargo, ND	64,600	65,000	64,500
ARS	Chemistry and Biochemistry of Insect Behavior, Physiology and Ecology	Gainesville, FL	208,400	209,700	208,200
ARS	Areawide Project on Honey Bee Health	Various	(1)	(1)	670,000
CSREES, NRI	Time-Memory Control of Honey Bee Foraging Behavior	East Tennessee State Univ	183,000	(1)	(1)
CSREES, NRI	Molecular Mechanisms of Honey Bee Mating	North Carolina State University	355,000	(1)	(1)
CSREES, CEI	Colony Collapse Disorder: Initiation of a National Response	University of Illinois	(1)	60,000	(1)
CSREES, CEI	Colony Collapse Disorder: Determination of the Roles of Pathogens in Unique Colony Losses of Honey Bees and Funding of Workshop.	Pennsylvania State University	(1)	51,932	(1)
CSREES, NRI	The importance of intracolonial genetic diversity for foraging success in honey bee colonies.	Cornell University	(1)	206,000	(1)
CSREES, NRI	Modulation of social interactions by disease in honey bees	North Carolina State University	(1)	337,000	(1)
CSREES, NRI	Assessing the mating health of commercial honey bee queens	North Carolina State	(1)	346,500	(1)
CSREES, CEI	Unraveling Impacts on Honey Bee Health of Agricultural and In-Hive Pesticides.	Pennsylvania State University	(1)	(1)	89,996
CSREES, CEI	Impacts on Honey Bees and diseases from In-hive Miticide Use	Pennsylvania State University	(1)	(1)	89,987
CSREES, CEI	Assessment of Miticide Use of Honey Bee Longevity and Colony Health	Clemson University	(1)	(1)	90,000
CSREES, NRI	Toxigenomics of Apis mellifera	University of Illinois	(1)	(1)	340,000
CSREES, NRI	Analysis of genes and gene regions affecting agronomically important honey bee behaviors.	Purdue University	(1)	(1)	479,134
CSREES, NRI	Genome Informatics for Agriculturally Important Hymenoptera Species and Their Pathogens.	Georgetown University	(1)	(1)	410,158

CSREES, NRI	Undetermined	Undetermined	([1])	([1])	1,000,000
Total AMS			([1])	260,000	260,000
Total ARS			7,632,700	7,674,600	7,798,000
Total CSREES			538,000	1,001,432	2,499,275
Total			8,170,700	8,936,032	10,557,275

[1] N/A.
[2] Estimate.

Additional/Future Projects

USDA developed a CCD Action Plan in July 2007 based on recommendations from the CCD Steering Committee, which is composed of academic, private, and Federal scientists. The Action Plan outlines a strategy for current and future needs to address the CCD crisis, involving four main components:

—Survey and data collection;
—Analysis of samples;
—Hypothesis-driven research; and
—Mitigation and preventative action.

Within each topic area, the status of ongoing CCD research and future plans are outlined, as well as the organization(s) involved in the effort. Both ARS and CSREES are using existing funding authorities to support these research, extension, and education projects. The accomplishments of current research will be used to gauge the direction and prioritization of future research.

In addition, in 2007 CSREES oversaw the formation of a Multi-State Research/Extension Committee titled "Sustainable Solutions to Problems Affecting Honey Bee Health" which will address CCD-related objectives that will complement those of ARS scientists and other CSREES-funded projects (e.g., NRI–CAP, and CEI). The Committee is administered by the North Central Region, funded by Hatch Multi-State allocations to participating States and also supported in part by Federal Smith-Lever appropriations to States for the Cooperative Extension System. Future research needs to be addressed by this committee are complementary and compatible with research priorities outlined in the Action Plan and by ARS.

Looking to fiscal year 2009 and beyond, ARS has identified a number of projects, in varying levels of priority, to address CCD and honey bee health. Needs include developing artificial diet-based systems to increase pollination for specialty crops impacted by CCD (Tucson, Arizona); determining the role of pathogens and other stress factors in CCD and mitigating their effects (Beltsville, Maryland); reducing colony stress through integrated pest management (Tucson); developing genetic resistance to CCD (Baton Rouge, Louisiana); and treating and mitigating CCD (Beltsville). To fund these efforts, the President's 2009 budget requests an increase of $780,000 for ARS.

FOOD SAFETY REGULATIONS

Question. This is a follow-up to my food safety question. Does USDA have adequate authority and resources to implement the food safety laws and regulations? Further, it is my understanding that in 2007, there were a combined total of more than 70 new rules, notices, directives and regulations issued or finalized by FSIS. Please describe what USDA is doing to assist meat, poultry, and egg firms with compliance when they have problems and when the Department issues new regulations? Is USDA effectively training its workforce to implement these regulations?

Answer. FSIS has adequate authority and resources to enforce the food safety laws and regulations under its purview.

FSIS takes its outreach mission very seriously. In March 2008, FSIS announced the formation of the new Office of Outreach, Employee Education and Training, to provide consolidated access, resources and technical support for small and very small plants to better assist them in providing safe and wholesome meat, poultry and processed egg products. This program area will also ensure that all FSIS personnel have the necessary training to effectively carry out their assigned duties.

For FSIS to ensure public health protection through food safety, it not only needs to verify that small and very small plants, establishments that comprise over 90 percent of the plants under FSIS' jurisdiction, are producing safe food but to reach out to those plants to make sure that they fully understand their responsibilities and how to achieve them. Thus, for small and very small plants, the agency launched a targeted Web page and launched a monthly publication called Small Plant News which includes articles with up-to-date technical information and guidance, resource materials, and FSIS rules and regulations as well as the most common questions asked and answers that apply to establishments' operational practices. All of this is in addition to outreach visits, net meetings, information sessions, and numerous regulatory education sessions.

In 2007, FSIS launched askFSIS, an outreach effort for stakeholders. askFSIS is a Web-based feature designed to help answer technical and policy questions regarding inspection and public health regulations 24 hours a day. The new interactive feature provides answers on technical issues in more depth than the standard list of "frequently asked questions" available through FSIS' Web site. It allows visitors to seek answers on topics such as exporting, labeling and inspection-related policies, programs and procedures, as well as submit new questions to be added to the sys-

tem. This new Web-based tool has received high customer satisfaction marks from our stakeholders, and the system already has nearly 800 questions and answers.

In the wake of ongoing, progressive policy changes, FSIS ensures that inspection program personnel and the industry fully understand FSIS rules, regulations, directives, and notices. The agency is developing a strong, ongoing strategy to evaluate the success of its training program. Through the In-Plant Performance System, AssuranceNet management controls, and reports from district analysts, the agency is ensuring that inspection program personnel are doing their jobs correctly, are held accountable, and have appropriate workloads and supervision.

HALLMARK/WESTLAND RECALL

Question. Further, this question is specific to the Hallmark/Westland recall of 143 million pounds of fresh and frozen beef products. Was there an alternative response that the Agency could have had to address the regulatory concern and not pursue an event that potentially confuses consumers? Possibly a market withdrawal? Finally, with much of the meat used for the School Lunch Program, can a USDA inspected plant sell meat to the program if it tests positive for E. coli?

Answer. The recall action was deemed necessary because the establishment did not comply with FSIS regulations. The recall was designated Class II because the probability is remote that the recalled beef products would cause adverse health effects if consumed. This recall designation is in contrast to a Class I recall, which is a higher-risk health hazard situation where there is a reasonable probability that the use of the product will cause serious, adverse health consequences or death. A USDA inspected plant can continue to sell raw materials or finished products to the National School Lunch Program as long as the raw materials or finished products are not the ones that tested positive for E. coli.

U.S. BEEF PRODUCTS

Question. Several significant beef markets and U.S. trading partners are still partially or completely closed to U.S. beef products. This stonewalling has persisted for more than 3 years. Having open beef markets is important to Pennsylvania's, and the Nation's, beef producers. According to the PA Department of Agriculture, the beef industry contributes about $1.9 billion annually to the economy. What do you plan to personally do as Secretary to address these remaining bans on all or part of American beef?

Answer. USDA is working actively and constructively to re-open many international markets that closed as a result of the finding of bovine spongiform encephalopathy (BSE) in the United States in late 2003. Science and sound risk management principles remain the underpinnings of our consistent approach to all trading partners. As evidence of our success, U.S. beef and beef product exports rebounded to over $2.6 billion in CY 2007, equal to almost 70 percent of trade in 2003, before BSE was identified in the United States. Last year, the World Organization for Animal Health (OIE) designated the United States as a "controlled risk" Nation for BSE, reaffirming the effectiveness of the U.S. regulatory system to protect the food supply from BSE. With this rating in hand, we are stepping up our efforts to reopen markets for U.S. beef based upon science and internationally recognized standards. Indonesia, Barbados, and the Philippines are some of the countries that have fully reopened to U.S. beef and livestock since the United States achieved "controlled risk" status.

QUESTIONS SUBMITTED BY SENATOR LARRY CRAIG

FOOD SAFETY INSPECTION USER FEES

Question. I appreciate USDA's dedication to ensuring the safety of our food supply. As evidenced by the Hallmark/Westland violation, we have some work to do to improve the oversight of our inspection system. However, I am concerned about the proposal to add another $92 million in new user fees from meat, poultry and egg products establishments.

Why would USDA propose to have the packers pay for their own food safety inspections when this is clearly the role of government? Are you concerned that these additional costs would be passed down to cattle producers?

Answer. The legislative proposal to create new user fees would transfer a portion of the cost of mandatory Federal inspection services to the industries that directly benefit from them, and would result in savings to the taxpayer. If any costs were passed down to cattle producers, the amount would be extremely small.

NATIONAL VETERINARY MEDICAL SERVICE ACT

Question. The National Veterinary Medical Service Act (NVMSA) was signed into law in December of 2003. This program has been funded through appropriations for several years now, yet USDA has failed to implement this veterinarian loan repayment program as it was designed. If implemented, this program would extend veterinary services to rural and other underserved areas that struggle to attract young vets.

Does USDA recognize that there is a shortage of veterinarians in the United States, especially large animal practitioners in rural areas? Four years after passage of the National Veterinary Medical Services Act, what has USDA done to implement the full veterinarian loan repayment program? What do they need to move forward to implement it? Please provide for the Committee a timeline for when USDA plans to write the full program rules.

Answer. USDA is aware of the shortage of veterinarians in the United States and recognizes that this shortage extends to virtually every aspect of the practice of veterinary medicine, including large animal practice, epidemiology, and food safety in both private and government employment. Further, we accept the validity of studies that show this shortage is growing.

As you note, NVMSA was enacted in 2003. Funds for this program were first appropriated in fiscal year 2006. The Cooperative State Research, Education, and Extension Service (CSREES) conducted a review of program options and considered input from other Federal agencies, veterinary associations, and the veterinary educational community. CSREES developed an implementation plan that took advantage of already existing Office of Personnel Management student loan programs and regulations. On March 19, 2007, a final rule was published in the Federal Register that permitted CSREES to implement this phase of the NVMSA program. This rule specified that the USDA Food Safety and Inspection Service (FSIS) would utilize a portion of NVMSA funding as hiring incentives, to pay the educational loans of new hires. This strategy which included FSIS supplementing the NVMSA incentive by contributing a matching recruitment bonus, allowed USDA to reach the largest number of eligible veterinarians in the shortest possible time frame.

To address other areas of veterinary shortage, CSREES is establishing a work unit that will involve both program and administrative employees with new staff hired to administer the NVMSA. Similarly, new processes and procedures will need to be developed and put in place, since the agency will be dealing with individual veterinarians instead of the universities that comprise its normal customer base. Simultaneously, CSREES will develop and publish the rule(s) necessary to fully implement this program.

Because CSREES has never delivered a program of this type and complexity targeted to individual recipients rather than established institutions, it is very hard to judge how much time will be required. As an estimate, we believe CSREES may be able to accept applications as early as the second quarter of fiscal year 2009 with the repaying of educational loans by the end of fiscal year 2009.

EXCLUSION OF POTATOES FROM WIC

Question. I understand that USDA published an interim final rule that expands the eligibility for the WIC program to include all fresh fruits and vegetables with the single exception of white potatoes. In contrast, I understand that WIC vouchers can currently be used to purchase fresh fruits and vegetables, including fresh potatoes, at farmer's market programs. It seems to me that fresh white potatoes, along with apples, bananas and carrots, are all popular vegetables which provide important nutrients critical to the diet of WIC participants.

Can you provide the Committee with the public policy and nutritional rationale for excluding fresh white potatoes from the expanded WIC voucher program for all other fresh fruits and vegetables? What is the rationale for excluding fresh white potatoes from the expanded WIC program while allowing the inclusion of other frequently purchased fruits and vegetables? Excluding fresh white potatoes from the expanded WIC program will require State agencies and retailers to develop administrative procedures to exclude those purchases. Can you please provide this Committee a description of the process and an estimate of the cost of compliance for the exclusion of a single fruit or vegetable from the program?

Answer. The changes to the WIC food packages were made based on scientific recommendations from the National Academies' Institute of Medicine (IOM). The IOM was charged with reviewing the nutritional needs of the WIC population, low-income infants, children, and pregnant, postpartum and breastfeeding women who are at nutritional risk, and recommending changes to the WIC food packages.

The restriction of white potatoes, as recommended by the IOM, is based on (1) food intake data indicating that consumption of starchy vegetables by the WIC-eligible population meets or exceeds the amounts suggested in the 2005 Dietary Guidelines for Americans for consumption of starchy vegetables; and (2) food intake data showing that white potatoes are the most widely consumed starchy vegetable.

There is no cost of compliance for the disallowance of a single fruit or vegetable from the WIC Program. WIC State agencies routinely, and as a part of normal business practice, determine what foods to include on their State WIC food lists from the list of Federally authorized WIC-eligible foods.

SUBCOMMITTEE RECESS

Senator KOHL. Our hearing will end at this time. Next week we will be discussing the FDA budget, and we look forward to continuing our dialogue. Thank you so much.

[Whereupon, at 11:15 a.m., Tuesday, April 8, 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 2009

TUESDAY, APRIL 15, 2008

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

The subcommittee met at 10 a.m., in room SD–192, Dirksen Senate Office Building, Hon. Herb Kohl (chairman) presiding.

Present: Senators Kohl, Dorgan, Reed, and Bennett.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOOD AND DRUG ADMINISTRATION

STATEMENT OF ANDREW C. VON ESCHENBACH, M.D., COMMISSIONER

ACCOMPANIED BY:

JOHN DYER, DEPUTY COMMISSIONER AND CHIEF OPERATING OFFICER, FOOD AND DRUG ADMINISTRATION

RICHARD TURMAN, DEPUTY ASSISTANT SECRETARY FOR BUDGET, DEPARTMENT OF HEALTH AND HUMAN SERVICES

OPENING STATEMENT OF SENATOR HERB KOHL

Senator KOHL. Good morning to one and all. Today we welcome Dr. von Eschenbach, the FDA Commissioner; Mr. John Dyer, the Deputy Commissioner for Operations; and Mr. Richard Turman, the Deputy Assistant Secretary for Budget at HHS. We thank you for appearing this morning to discuss the FDA's budget for 2009.

American consumers spend 20 cents of every dollar on products that are regulated by the FDA. Food, medicine, medical devices, vaccines, the blood supply, cosmetics, and veterinary products all fall within FDA jurisdiction. FDA has a responsibility to make sure that all of these are safe and effective.

As you appreciate better than anyone else, it is, indeed, a daunting task that grows more complex every year. Unfortunately, your budget request does not keep pace with these huge responsibilities.

For fiscal year 2009, the administration proposed an increase of $54 million, or just over 3 percent. It recommends modest increases for food safety and medical products. While that is a welcome contrast compared to cuts proposed for HHS and USDA, I find it hard to believe that this recommendation will achieve anywhere near the goals that FDA has set.

The budget purports to hire over 200 additional FDA inspectors, as well as staff, but in reality, you do not request enough money to pay for the staff that you have now. Specifically, the budget clearly states that FDA needs $60 million more than last year simply to maintain current staffing levels, but you only request $54 million new dollars.

What this really suggests to me is that any additional money you claim to be for new food and medical safety activities will really be used to maintain current staff. There is no new money for food safety, medical products safety, as well as anything else.

FDA recently published a food protection plan and import safety action plan. Both documents outline important steps needed to keep our food supply safe, and those steps will cost money. Serious work also needs to take place to ensure that the drugs, which FDA approves are indeed safe, and we need assurances that necessary follow-up will happen. We have all heard that 80 percent of the raw ingredients going into our medicines come from overseas. It would take FDA 13 years to inspect each of these plants just once.

I know that you are aware of these issues and many more, and I believe you want to move in the right direction. But I also feel obliged to address your recent complaint that Congress has failed to give FDA the money it needs. That complaint seems a little specious to me. Congress gave FDA $90 million more than you sought for the current year, and we provided $17 million more than you sought in fiscal year 2007. So I take issue with that complaint and we look forward to your comments and explanations.

We have developed a good working relationship over the past several years, and I am sure that will continue this year. Although we seem to be far apart on how we would interpret this budget right now, we want to work with you to make sure that your agency, one that affects every single American every day, has the necessary funding to be effective, as we both think it should be.

We will now turn to Senator Bennett for his opening statement, and following that, we look forward to hearing from you. Senator Bennett.

STATEMENT OF SENATOR ROBERT F. BENNETT

Senator BENNETT. Thank you very much, Mr. Chairman. You have covered many of the points that I wanted to highlight as well.

The FDA's regulatory authority is vast. It encompasses 80 percent of the food we eat, all animal and human drugs and medical devices, along with some other products, and 20 percent of all consumer expenditures go for some product that is regulated by the FDA. That is $1.5 trillion worth of expenditures. So this is a very important agency.

And, Dr. von Eschenbach, I want to take this occasion—this will be your last appearance in defense of the budget—to thank you for the stewardship you have provided at this agency.

We more often hear about problems connected with the agency than we do about the success in making the United States food and drug supply the safest in the world, as I believe that it is.

But there have been problems and I expect we will hear about some of them, the widely reported recall of heparin because of contaminated ingredients that came from the supplier in China, the

recall of peanut butter tainted by salmonella, followed by a massive pet food recall, also having to do with contaminated ingredients from China. As we look at those problems, we sometimes, as I say, lose sight of the fact that overall we do have the safest food and drug supply in the world.

But I agree with the chairman that we need to pay attention to the amount of money that is required here and that the budget that has been submitted to us by the administration appears to me to be inadequate to meet those challenges. I have sat on your side of the table. I know the kinds of fights that go on in an executive agency between what you feel is your best judgment and what OMB feels is its best judgment and the very difficult position you get put in when you are sent up here to defend OMB's number when in your heart you might prefer a higher one. You need not comment on that. I will not put you in that box. But I have seen that kind of thing happen before. And I feel, with the chairman, it may be our responsibility to fix OMB's mistake here. I think you probably have more friends here than you might have at other places in town.

It is not just money, however. You need leadership. You need good people. You need to be able to attract the right people and hold onto the right people. Those are some of the things we will be talking about.

We have to take into consideration the comments that are made by the Science Board that concluded—and I quote—FDA can no longer fulfill its mission without "substantial and sustained additional appropriations." That is something that we, I think, have to pay attention to even if some others do not.

Well, we all benefit from a strong and well-funded FDA. It is an area where consumers, industry, and the Congress vigorously agree and where all must work together to see that we get the results that we want. I look forward to the testimony and working together with you, Mr. Chairman, to try to solve some of these problems.

Senator KOHL. Thank you, Senator Bennett.

Senator Dorgan, do you have a statement?

Senator DORGAN. No, thank you.

Senator KOHL. We will now ask Dr. von Eschenbach for your statement.

STATEMENT OF DR. ANDREW VON ESCHENBACH

Dr. VON ESCHENBACH. Chairman Kohl and Senator Bennett, Senator Dorgan, I am very gratified by your kind remarks and certainly your support. It is always an honor for me to appear before you.

But today, it is also a special privilege for me to be accompanied by FDA leadership that you see sitting behind me, the center directors and the deputies, who provide the day-in-and-day-out leadership of this incredible agency and who truly epitomize the over 10,000 FDA employees who bring dignity to the title and to the words "public servant."

I am pleased to be here today joined by Mr. Turman and Mr. Dyer to present to you FDA's fiscal year 2009 budget request.

As you have already indicated, the beginning of the 21st century has already witnessed FDA facing incredible challenges emanating

from a rapidly and radically changing world. And these changes are, in fact, reshaping the way in which we must accomplish our mission to protect and promote the public health.

REQUEST FOR ADDITIONAL RESOURCES

More than 2 years ago, when I first sat before you, I presented my initial request for increased resources that FDA needed to address these changes and last year requested even more additional resources. I trust you know that I will not disappoint you in your expectations that I am here today requesting even further increases in the FDA's budget.

But I hope you will also recognize that this has never been for us an exercise simply to ask for more. We have attempted to be good stewards of these precious resources and have been creating detailed plans that communicate how FDA will deploy those resources to overcome the challenges we face and to provide regulatory oversight for the food and health products we regulate.

These requests for additional resources and these plans, which is our strategic plan and food protection plan, et cetera, are part of a trajectory that we have been attempting to create that will continue to build over time to modernize the Food and Drug Administration of the 21st century.

But Congress and the American people expect more than just plans and budgets. They deserve exceptional performance, and I believe we have also delivered. The list of recent accomplishments that appear in my written testimony reflects the universal determination within FDA to ensure the people we serve that they will always have access to safe and effective medical products, that we will safeguard the food that they eat, and address emerging threats to America's public health. What we have done and what we must do is only possible through your support, and we are deeply grateful for the support that you have provided and continue to provide us.

I come here today asking for more support because the challenges that we are facing tomorrow compared to yesterday are, for sure, formidable. Our response to those challenges affects our entire enterprise.

MODERNIZATION OF INFORMATION TECHNOLOGY (IT)

For example, a global supply chain of food and medical products now requires FDA to expand its presence and reach beyond our borders. A complex regulatory pathway that is embracing innovative products from their production to consumption now requires us to modernize our infrastructure, particularly our FDA information technology. The need to always be a science-based and science-led agency in our decisionmaking now demands that we create the facilities that will support that kind of an infrastructure, including the completion of the construction of the consolidated campus for FDA at our new campus at White Oak. And I present to you a picture of that construction of that state-of-the-art facility that is in process and must, as a part of this trajectory, continue to be supported and completed.

BUDGET REQUEST INCREASE

The 2009 budget request builds on the 2008 appropriation by proposing an additional 5.7 percent increase. That will result in a total budget of $2.4 billion, of which $1.8 billion would be in budget authority and $700 million in user fees.

USER FEES

Last year, Congress reauthorized the Food and Drug Administration Amendments Act which provided direction to the agency with 125 new requirements in the bill's 11 titles, but it also reauthorized essential user fee programs for prescription drugs and medical devices.

This year, the successful program to support animal drug review, the Animal Drug User Fee Act, expires on September 30, 2008, and this 2009 budget recommends extending that program for an additional 5 years, and in addition, includes $48 million for four new proposed user fee programs relating to generic drugs, generic animal drugs, the reinspection of facilities, and issuing export certificates for food and animal feed.

FOOD PROTECTION AND IMPORT SAFETY

During 2009, we will continue to implement the food protection plan and our import safety action plan that we announced in 2007. And the subcommittee generously provided $56 million for food protection in 2008, and we are requesting an additional $42 million in 2009, which will provide an additional 94 full-time equivalent staff to conduct food protection activities, including 68 to support our domestic and foreign inspections through our Office of Regulatory Affairs. We will continue to expand and support essential programs to protect and defend our food supply.

RAPID RESPONSE TEAMS

We will also emphasize a priority that you championed, Senator Kohl, in deploying three more rapid response teams during fiscal year 2009, in addition to the six that we will deploy in 2008. And we will also improve the information technology systems that support risk assessment, research, inspection, and surveillance.

COST OF LIVING AND CRITICAL PATH

And finally, there will be $12 million for the cost-of-living increases for our essential staff.

In 2008, the subcommittee appropriated increases for drug safety, critical path generic drug review, drug advertising review, and pandemic preparedness programs at FDA. Thanks to the commitment of this subcommittee, specifically Senator Bennett, we will commence 50 important critical path activities across all medical product programs. This is our effort to transform the design, development, testing, and use of medical products.

PRODUCT SAFETY

We continue to address our need for product safety and development, including our ability to provide increased staff and oversight

for targeted increases in blood and blood products, human tissue safety, criminal drug investigations, and device import safety, as well as animal drug grants under the Minor Use and Minor Species Animal Health Act.

PREPARED STATEMENT

This $2.4 million contains essential resources on that trajectory to continue to build the FDA of the 21st century that will protect and promote the health and safety of the American public. And we are deeply grateful for your commitment to that continuous, ongoing effort to recreate and redefine and modernize the FDA.

Thank you, Mr. Chairman. I look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF ANDREW C. VON ESCHENBACH

Introduction

Chairman Kohl and members of the subcommittee I am pleased to present the President's fiscal year 2009 budget request for the Food and Drug Administration (FDA). I am joined by Mr. John Dyer, FDA's Deputy Commissioner and Chief Operating Officer, and Mr. Richard Turman, Deputy Assistant Secretary for Budget at the Department of Health and Human Services.

At the outset, I want to lay out the trajectory reflected in FDA's budgets during my tenure. When I first sat before you on behalf of the FDA 2 years ago, I presented a budget that recognized the need for additional resources so that FDA can accomplish its mission. Just as important, FDA also recognized the need to establish plans that define how to use our resources wisely.

For the past 2 years, we requested additional resources to meet important public health challenges. We also developed detailed plans that communicate how we will deploy our resources to overcome the challenges that we face. However, you also expect performance while we are developing plans for the future, and we have delivered.

Recent FDA Achievements

Thanks to funding appropriated by this subcommittee, FDA is achieving important public health milestones, and we thank you for your support. Since I appeared before you last year, FDA worked with Congress on the FDA Amendments Act (FDAAA) to extend key user fee programs including the Prescription Drug User Fee Act (PDUFA) and the Medical Device User Fee Act (MDUFMA), to reauthorize the Best Pharmaceuticals for Children Act and the Pediatric Research Equity Act. During the past year FDA also:

—published comprehensive plans for food defense, food safety, and import safety
—negotiated and signed food and medical product safety agreements with China
—expanded FDA's capacity to detect radiological contamination of food by 150 percent
—launched a national initiative to strengthen State food safety programs
—issued a current good manufacturing practices rule for dietary supplements
—approved a second-generation smallpox vaccine to enhance U.S. preparedness
—approved the first U.S. vaccine for humans against H5N1, the avian influenza virus
—approved the sixth seasonal influenza vaccine, allowing manufacturers to produce a record number of flu vaccine doses
—approved a decellularized heart valve, a new drug-eluting stent, and the first artificial cervical (neck) disk
—approved new treatments for hypertension, Crohn's disease, cancer, HIV, diabetes, Parkinson's, Fibromyalgia, leukemia, and blood clotting disorders, including 22 new molecular entities and 18 orphan products
—tentatively approved the 64th anti-retroviral product under the President's Emergency Plan for AIDS Relief (PEPFAR)
—issued more than 680 generic drug approvals or tentative approvals during fiscal year 2007—a 30 percent increase from the previous year
—approved new tests for blood typing and to detect malaria, West Nile Virus, certain breast cancers, respiratory viruses, and other infections
—identified Critical Path opportunities for generic drugs and conducted Critical Path workshops on cancer clinical trials and developing anti-cancer agents

—proposed new standards and a new UVA rating for sunscreen products
—released a report on science and regulatory issues associated with nanotechnology
—conducted enforcement actions to protect consumers against unapproved drugs and devices and from unsafe dietary supplements
—identified 25 drugs products that must submit safety plans under Title 9 of FDAAA.

These are important public health accomplishments, and they demonstrate FDA's performance while we also prepare for the future.

My FDA colleagues and I recognize that we have important work to do in all FDA program areas. We also have challenges that cut across all FDA programs, such as expanding FDA's reach beyond our borders, modernizing our Information Technology, and working with the General Services Administration to complete our new campus at White Oak.

FDA's 2009 Budget Request

The President's fiscal year 2009 budget request for FDA builds on the fiscal year 2008 appropriation by proposing a 5.7 percent increase. FDA will focus its increased resources on protecting America's food supply and improving the safety of human and animal drugs, medical devices, and biologics—including vaccines, blood products, and human tissues.

This increase will provide FDA with a budget of $2.4 billion, which consists of $1.8 billion in discretionary budget authority and $0.7 billion in user fees. FDA user fee programs provide supplemental resources that not only allow FDA to review manufacturers' product applications but also ensure that Americans have access to safe and effective medical products.

As I mentioned, Congress reauthorized user fee programs for prescription drugs and medical devices last year in FDAAA. This year, the successful program to support animal drug review, the Animal Drug User Fee Act (ADUFA), expires on September 30, 2008. We have engaged with stakeholders to develop proposals to extend this program for an additional 5 years. FDA published a draft proposal for ADUFA II in the Federal Register and conducted a public meeting with stakeholders on March 11, 2008.

Finally, our budget includes $48 million for four proposed user fees related to reviewing generic drugs, reviewing generic animal drugs, reinspecting facilities, and issuing export certificates for food and animal feed.

FDA Food Protection Plan Investments

On November 6, 2007, the administration issued the Import Safety Action Plan (ISAP), a comprehensive, strategic roadmap to strengthen import safety. In conjunction with this release, FDA released its Food Protection Plan (FPP), a comprehensive initiative to protect America's food supply.

The FPP is a risk-based, production-to-consumption strategy to assure the safety of domestic and imported food. FDA's plan relies on three core elements—prevention, intervention, and response—and calls for ten new legal authorities. The plan is designed to identify potential food defense and food safety threats and to counteract those threats before they harm consumers.

FDA has begun implementing the FPP and ISAP with the resources that the subcommittee appropriated in fiscal year 2008. In fiscal year 2009, FDA requests an additional $42 million to protect the food supply and to continue to implement our plan. These funds will allow FDA to advance important food defense and food safety priorities. Fiscal year 2009 prevention activities include performing essential food research, determining the greatest threats of intentional and unintentional contamination to the food supply, and expanding food protection activities beyond our borders. Our intervention activities include conducting more risk-based inspections and surveillance and deploying new food defense and food safety screening tools. Fiscal year 2009 response activities include establishing more rapid response teams, strengthening emergency response, and improving our ability to conduct food tracebacks.

To achieve these objectives and safeguard American consumers, FDA will also improve IT systems that support our research, risk assessment, inspection, and surveillance. Finally, FDA's fiscal year 2009 food protection initiative includes $12 million for the cost of living pay increase for FDA food safety and food defense programs. These funds allow FDA to retain its professional workforce that conduct food safety and food defense activities. Overall, our food protection investments for fiscal year 2009 support an additional 94 full-time equivalent (FTE) staff, including 68 FTE to conduct domestic and foreign inspections through FDA's field operations in the Office of Regulatory Affairs.

Investments for Safe and Effective Medical Products

For fiscal year 2008, Congress appropriated increases for drug safety, Critical Path, generic drug review, drug advertising review, and pandemic preparedness programs at FDA. With these increases, FDA will strengthen medical product development, safety, and review activities that the subcommittee identified as fiscal year 2008 priorities. I assure you that FDA will be a good steward of the funds you provide and that we will search for effective solutions to the public health challenges involving medical products.

For fiscal year 2009, FDA is proposing a $17 million initiative for medical product safety and development, including funds for the cost of living pay increase. FDA is also proposing targeted increases for our medical product programs.

With the fiscal year 2009 increase, FDA's Biologics Program will strengthen its ability to prevent, detect, and respond to emerging safety threats in blood and blood products. FDA will also improve tissue safety by expanding our program to educate industry about tissue processing and tissue safety technologies.

In the Human Drugs Program, FDA will improve import safety by conducting additional investigations of criminal drug activity. The volume of drugs imported into the United States will likely increase by 12 percent during fiscal year 2009, and the additional import volume creates a need for criminal investigators to support drug import surveillance.

In the Device and Radiological Health Program, FDA will strengthen import safety by improving the ability of the ORA field operations to work on import issues with Customs and Border Protection and other agencies. Finally, in the Animal Drugs and Feed Program, FDA will provide targeted grants to stimulate the development of new animal drugs under the Minor Use and Minor Species Animal Health Act of 2004.

Implementing FDAAA

In the fall of 2007, Congress enacted legislation reauthorizing prescription drug and medical device user fees, the Best Pharmaceuticals for Children Act and the Pediatric Research Equity Act. This legislation also grants new authorities to ensure the safety of the food supply and the safety and effectiveness of medical products—drugs, devices, and biologics. As I mentioned previously, FDAAA also reauthorized user fees for prescription drug and medical device review.

Implementing FDAAA is a formidable challenge. The legislation is complex, with eleven titles containing more than 125 new requirements.

To cope with the breadth of this act, FDA launched a detailed implementation plan. And, in the spirit of transparency, the details of our progress to implement FDAAA appear on our website. Within FDA, we established working groups to confirm the scope of our FDAAA responsibilities and identify the actions and timetables necessary to conduct our new work. As you might expect, we are giving our first attention to FDAAA provisions that have the greatest implications for public health.

The new law is barely 6 months old, but our accomplishments are already tangible. As of today, FDA published 20 Federal Register notices related to FDAAA. We are methodically working through the new law, giving priority attention to new standards that will have the greatest public health impact. Achieving all of the goals and objectives of this landmark legislation will require a sustained effort from many individuals inside and outside of FDA for years to come.

The Scope of FDA Challenges

FDA will face many challenges in the 21st century. Thanks to the talented professionals who serve the American public at FDA, we are addressing many daunting challenges within all areas of our mission. We must modernize our workforce, our work plans, and the infrastructure that supports our mission to assure that we remain the gold standard for food and drug regulation.

In this era of change, FDA has developed strategic plans to respond to high-profile challenges in priority areas. During the past 2 years, we presented comprehensive plans to Congress and the American public on food and import safety, and responded to the Institute of Medicine Report on drug safety.

My colleagues and I at FDA are committed to our mission and committed to the changes necessary to protect America's public health. Thanks to your support, the FDA of the future—the near future—will better protect the public from the threats that we experience today. At the same time, FDA will better promote the discovery, development, and delivery of lifesaving products that improve the quality of our lives.

Conclusion

The fiscal year 2009 request of $2.4 billion contains essential resources to protect and promote the health and safety of the American public. The funds that we request will allow FDA to strengthen the safety of the food supply, to assess, review, and approve new products, and to better predict—earlier and more accurately—the safety and effectiveness of drugs, biologics, and medical devices.

With the fiscal year 2009 resources, FDA will work to ensure that Americans enjoy the benefits of personalized medicine, a safe and wholesome food supply, and the promise of a better, healthier future. Meeting these challenges is only possible with your leadership and with the support that you consistently demonstrate for the mission of the Food and Drug Administration.

Senator KOHL. Thank you, Dr. von Eschenbach.

Dr. von Eschenbach, how do you reconcile your statement about Congress not providing you with enough funding when, in fact, over the past 2 years, this committee has provided you with over $100 million more than you asked for?

INCREASED PRODUCTS AND RESPONSIBILITIES

Dr. VON ESCHENBACH. Mr. Chairman, with great credit to you and to other Members of Congress, you have more recently been very, very generous in your support of the FDA. I think what we are both faced with is the realization that over the past 2 decades the FDA has been immersed in this rapidly and radically changing world that has increased the scale and scope of the portfolio of products and responsibilities facing the FDA, as well as increasing complexity in the nature of those products and the nature of their production and their consumption. And I think it is in the context of that rapidly and radically changing world that over the past 2 decades the resources required have not kept pace with the needs.

But I certainly commend you and other Members of Congress for your recent attention to our need to perhaps accelerate our ability to create that trajectory so that we can, in fact, bring the FDA up to the level of that we currently anticipate will be needed for this modern world.

SCIENCE BOARD

Senator KOHL. Dr. von Eschenbach, we would be remiss if we did not discuss the FDA Science Board's recommendation for your budget. Their report states—and I quote—"FDA's resource shortfalls have resulted in a plethora of inadequacies that threaten our society including, but not limited to, inadequate inspections of manufacturers, a dearth of scientists who understand emerging new science and technologies, inability to speed the development of new therapies, an import system that is badly broken, a food supply that grows riskier every year, and an information infrastructure that was identified as a source of risk in every FDA center and function." This is a board full of experienced and knowledgeable people that was established at your request.

So let us start with the overall number.

Your budget requests a $54 million increase this year, but the Science Board recommends $375 million. Is your budget adequate? How do you respond to the Science Board's recommendations?

Dr. VON ESCHENBACH. Mr. Chairman, I was very gratified by the report by the Science Board, which I had convened in order to have an external, objective assessment of FDA's scientific infrastructure.

I think what the report has pointed out is the need for change within FDA. We have attempted to address those changes based on a strategic plan for implementation of the needed changes over a period of time.

The resources that are required will continuously need to be increased. I think the board reflects the fact that if we wish to accelerate the time line for that modernization effort and the implementation of many of the changes that are necessary to align the FDA with the modern rapidly and radically changing world around us, that level of support would be required.

ADDITIONAL $375 MILLION

Senator KOHL. Could the FDA absorb an additional $375 million in 1 year?

Dr. VON ESCHENBACH. No, sir. I do not believe it could absorb that in 1 single year. I do believe, however, that we have now put in place the trajectory that I indicated before in which we have plans which define time lines, outcomes, and deliverables so that there is the rational investment of those additional resources and the ability to demonstrate a return on that investment to the American people.

I believe we could absorb significant increases in our budget and we are prepared to address how they would be applied if they were to be available. And we are doing that in the context of recognizing that our budget is one part of a larger portfolio of responsibilities to the American people that is reflected by both the President and the Congress.

NECESSARY RESOURCES

Senator KOHL. Is the FDA underfunded, hugely underfunded, grossly underfunded? What would you tell the American people?

Dr. VON ESCHENBACH. I believe that from the perspective of our recognition of the changes that are occurring in the world around us, the need for the FDA to significantly change its strategies as to how it is addressing those changes, be they the incredible opportunities that are emanating from the discoveries in science and technology with new products such as will occur with regard to our ability to recognize the fruits of nanotechnology and regenerative medicine, all the way through to the recognition of the threats that are now emanating from globalization and the fact of our need to secure integrity of supply chain of these medical products from production to consumption, be it food or medical products, all of this is requiring a change within the Food and Drug Administration that is both strategic and a change that is also resource-dependent.

So the answer is I believe that we have been eminently successful up to this point in time. We are the world's gold standard, but if we wish to continue that record of excellence, we must change as the world around us is changing and we must change from the perspective that as our portfolio is expanding, so are the need for our resources to meet those expectations in that portfolio.

Senator KOHL. So in order to meet those expectations I think what you have said—I believe what you said—is that in order to discharge those responsibilities to the American people, the FDA is

underfunded. Hugely underfunded, grossly underfunded. One could debate that, but underfunded.

Dr. VON ESCHENBACH. I believe that we need additional resources. I am presenting a budget today that asks for additional resources. I have asked for more additional resources. I believe we could and would apply any additional resources wisely and effectively, given the fact that, as I indicated in my opening statement, it is not simply a matter of asking for more. It has rather been our responsibility to define how we would spend more, spend it wisely and strategically, and be able to then assure a return on that investment by enhancing the American people's access to safer and more effective medical products and food.

Senator KOHL. Thank you.

Senator Bennett.

FUNDING ABSORPTION

Senator BENNETT. I would like to continue the line of questioning that the chairman has started down. You said you could not absorb $375 million in a single year. I think that is probably right. How much could you absorb? This is not asking you to break with OMB. This is just a theoretical question that you can answer in a scholarly kind of way. How much could you absorb?

Dr. VON ESCHENBACH. I believe that what we have attempted to do, Senator Bennett, in our planning process, both in our food protection plan, as well as in our strategic plan, and participating even in the larger agenda, like our import safety working group, our drug safety initiatives, across the context of food and medical products, enhancing safety, as well as rebuilding and recreating the infrastructure at FDA, we have laid our a series of initiatives, a series of opportunities. If additional funding was available, depending upon the level of funding, we would apply it to that portfolio of opportunities which we have outlined in these plans. We would do that initially around those opportunities having to do with assuring safety of food and of medical products.

BEYOND OUR BORDERS

So, for example, we have embarked upon initiatives now recognizing that FDA must go beyond our borders. And establishing an FDA presence in geographic regions around the world is a new initiative to which we could apply new dollars and accelerate our ability to implement the establishment and support of those offices, which would enable us to, one, work with our partners in other parts of the world to build capacity, to assure quality being built into the production of food and medical products, as well as being able to enhance the completion of White Oak and our data center.

FUNDING ABSORPTION

Senator BENNETT. I am sure you would go through this orderly process. I am looking for a number. If we were to, in our wisdom, decide that OMB was wrong and we needed to add an extra $100 million to the amount that you have taken, just to pull a number completely out of the air, could you handle that? You said $375 million you could not handle. You said you could handle more than

$54 million. I am looking for something ball park in between as to, yes, we could comfortably absorb and handle an extra $50 million, an extra $100 million. You get beyond that, we are looking at future years.

It is an unfair question, but it is not because if we are moved to help you, we want to move in an area that is prudent rather than extravagant.

Dr. VON ESCHENBACH. First of all, I would certainly welcome an opportunity to present a scenario and portfolio of options given additional possible investment. Certainly just as you say, today I do believe we could absorb the $100 million that you referred to and do that quite rapidly and quite effectively. As we would get closer and closer to the larger number that you presented, I think it would require greater stewardship to be certain that we could implement those dollars as rapidly and as effectively as we need to.

CRITICAL PATH

Senator BENNETT. I appreciate your emphasis on safety, and I agree with that.

But as you know, I am very much concerned about the critical path activities. You came to the University of Utah and testified at a hearing there, and we all got excited about the opportunities that are there. We provided $7.5 million in 2008, and $2.5 million was made available for competitive critical path research grants. Is that one area where you are expecting, even with what you have asked us for, to make additional resources, or is that an area that would benefit tremendously if we were to go above the number you have suggested?

Dr. VON ESCHENBACH. Well, again, I think critical path is an excellent example of how we have tried to create this trajectory. We have, within critical path, 50 areas of opportunity for investment. They are a different grain size. As dollars are available to us, we can strategically apply them to those initiatives but do that in a way that is addressing the modernization of our drug development and medical product development process and also do it in a way that demonstrates a return on investment.

WARFARIN

Let me give you one quick example of how we have utilized some of the resources you have already applied. In taking on our ability to look at the drug warfarin and use pharmacogenomic testing in order to be able to appropriately define the right dose for the right patient, that is now a part of FDA's labeling of that particular drug. That enabled us to begin to reduce the complications of either under-dosing patients experiencing clots or overdosing and having them unnecessarily bleed. And by getting that right dose based on our understanding of pharmacogenomics, that is projected to result in the savings of $1 billion per year for our health care system by the elimination of emergency room visits for the complications of an inappropriately dosed level of warfarin.

So I see this as a strategic business plan as well as a strategic opportunity to transform the science, and with additional dollars, we would expand our investment in a variety of those initiatives across the critical path.

INFORMATION TECHNOLOGY

Senator BENNETT. And I see it as a business plan too. Unfortunately, in the way we structure Federal budgets, unlike businesses that I ran or businesses that the chairman ran before we came here, we still find things so that we do not recognize that there would be a billion dollar benefit, but it is in somebody else's budget. So we do not get credit for it as we think about it here.

Let us talk about IT. You are spending roughly what—10 percent of your budget—on IT right now, and the results are less than satisfactory. Talk to us about what has to be done to bring your IT capability up to where it needs to be.

Dr. VON ESCHENBACH. When I arrived at FDA, the two most critical areas I believe to address was our workforce development and our information technology infrastructure because we are, in fact, an information management business. With regard to the information technology, we are spending, according to benchmarks, about $200 million a year on IT. But the problem that we encountered was it was being spent on woefully inadequate equipment to kind of attempt to maintain it at huge cost, and we did not have the modern information systems running on that equipment.

So we have been engaged in a transformation of our entire IT infrastructure, moving to modern servers and equipment, increasing their efficiency from what has been around 30 percent to a 70 percent target, consolidating them so that we have shared activities across those servers, as well as implementing the Bioinformatics Board to redefine the programs that need to be operationalized on that IT infrastructure to create integration across the agency and information sharing, especially from our field to our centers. That is now an investment of about $247 million a year.

WHITE OAK AND INFORMATION TECHNOLOGY

White Oak construction includes plans for our implementation and build-out of a data center at White Oak which will help us to continue our efforts to put FDA on a complete electronic infrastructure and move us away from paper.

As we had more dollars to invest, we could accelerate the implementation of that IT strategic plan.

Senator BENNETT. So that brings us back to White Oak. What is your time line, and is the construction of White Oak, which is not just bricks and mortar, as you have just indicated, it is also massive increases in efficiency as you get the kind of data center that you are looking to from your IT investment there, proceeding more slowly because we are not putting enough money into it? Would it be completed more rapidly if we gave you more money? And what is your time line for getting it done?

GSA

Dr. VON ESCHENBACH. Well, we obviously are dependent upon the appropriations that the General Services Administration, GSA, receives, and they are responsible for the bricks and mortar and maintaining that development on its time line for full completion by 2012. If those dollars were to fall off and construction slowed, that would create serious problems for us in terms of our transition

into that consolidated facility from what are currently leased and widely dispersed facilities.

More importantly, as you point out, are opportunities lost with regard to consolidation. We see White Oak as our opportunity to integrate our science more effectively by virtue of having modern state-of-the-art laboratories that are working in an interdependent fashion.

Senator BENNETT. Would you see savings if White Oak were finished in 2010? And could it be if more money went to GSA?

Dr. VON ESCHENBACH. I have not done a cost analysis in terms of savings by virtue of acceleration. I certainly can tell you that there are huge losses—we would sink a lot of cost if that time line was slowed down. So how much would we gain back?

Senator BENNETT. Yes.

DATA CENTER

Dr. VON ESCHENBACH. I certainly know by completion of such things like our data center would have a significant impact across the entire FDA operation, not just the White Oak campus.

Senator BENNETT. We need to do everything we can to get that finished in as logical a time as we can.

Thank you very much. Thank you, Mr. Chairman.

Senator KOHL. Thank you, Senator Bennett.

Senator Dorgan.

HEPARIN—FOREIGN INSPECTIONS

Senator DORGAN. Mr. Chairman, thank you very much.

Dr. von Eschenbach, thank you. I want to ask about the issue of inspections of foreign properties, especially about the issue of heparin, if I might. Heparin is a blood thinner—we are well familiar with it—commonly used by dialysis patients, recently pulled from the market after it was linked to some 62 deaths. Baxter Health Care, which markets heparin in the United States, indicated the allergic reactions appeared to be caused by a contaminant that was added in place of the active ingredient in heparin somewhere in the manufacturing process, they suspect, mostly in China. They have purchased the active ingredient for heparin from a company called SPL, which is based in Wisconsin, and they purchased pig intestines from Chinese pig farms and processed the intestines in China and Wisconsin.

I am going to show you some charts. The Wall Street Journal did something about this. It published a series of photos of the Yvan Intestine and Casing factory which processes pig intestines used to make heparin. Now, I am not tracing this heparin to this place because none of us can know that or do that. But this shows the types of unsanitary conditions in which production maybe taking place. We will go down the list of these photographs. This is a place that is processing what is an active ingredient in heparin. This is processing pig intestines.

My understanding is that the FDA inspected 1,222 plants in the United States in a year and conducted only 17 inspections of plants in China. Further, when we met with Baxter, we asked Baxter had the FDA ever inspected the plant in China that is using pig intestines to create the active ingredient in heparin. Baxter said that

the FDA had scheduled an inspection but actually ended up inspecting the wrong factory.

So 62 people are dead. We hear about the danger of re-importing FDA-approved prescription drugs from Canada, which is beyond me, by the way. They do that routinely in Europe under something called parallel trading where they move FDA-approved drugs from country to country. But even though we hear about the danger of that, including from the FDA I might add, it appears to be the active ingredient in heparin, which may well have caused some 60-some deaths, is coming from areas in China where there have been no inspection.

So tell me about that, 17 inspections in China, 1,100 inspections in the United States.

GLOBAL SUPPLY CHAIN

Dr. VON ESCHENBACH. Senator, your question is very perceptive in that I think the heparin experience points out to us many of the principles that we have been discussing this morning. Let me try to succinctly address what is a very complex issue.

We are engaged in now a global supply chain, and FDA, rather than it being a gatekeeper, is now invested in a strategy of being engaged in the total life cycle of products from production to consumption. That then requires us to look at that comprehensively and look at it from the point of view of prevention of problems, building quality in at the outset, intervention when there is a suspicion or concern, and response when there is evidence of an adverse event. So all parts of that equation must be emphasized and enhanced, our ability to respond rapidly and efficiently, as well as our ability to intervene but, most importantly, to begin to emphasize the front end, building quality in at the outset.

Senator DORGAN. But, Dr. von Eschenbach——

Dr. VON ESCHENBACH. Inspections are important, and I completely concur with our need to enhance our foreign inspections.

But this issue points out the fact that that inspection would not have detected the contamination of heparin because the contaminant is not detectable by our routine testing methods. And it was apparently, we suspect, done by virtue of economic fraud and, therefore, we had to devise new testing methods which now are being used around the entire world by our other agencies to address the problem.

ACTIVE INGREDIENTS

Senator DORGAN. A fair point.

But, Dr. von Eschenbach, these plants have not been inspected. My assumption is even if you could detect the active ingredient and the problems there, you would not allow this plant to process pig intestines and send an active ingredient in the U.S. drug supply. And my understanding is that 40 percent of the active ingredients in the U.S. drug supply come from China and India, and I just described what we have here. Seventeen inspections in all of China in 1 year, 1,200 inspections in this country.

Now, Senator Bennett asked you the question about the resources needed. Is FDA only doing 17 inspections because they do not have the resources?

BEYOND OUR BORDERS

Dr. VON ESCHENBACH. FDA inspects all the factories or all sites of production for new active pharmaceutical ingredients for which an application is being submitted. It is the reinspections where we need to begin to expand our capacity. We are doing that in terms of, one, our initiative, FDA Beyond our Borders. We are in the process of working with the Chinese Government and we have signed memorandums of agreement to work directly with their regulatory agency. We are anticipating opening five FDA offices around the world. China will be our first with offices in Beijing, Guangzhou, which is the source of major food production, and in Shanghai where we have the port. We will work directly through that process to enhance inspections but, more importantly, to work to build, with our Chinese counterparts, systems that will assure quality in the production of these products long before they actually come into our supply chain.

FOREIGN INSPECTIONS

Senator DORGAN. This comes from the Congressional Quarterly. It says the Food and Drug Administration wanted to inspect 3,249 factories overseas and it was able to inspect 212 in all countries. You were able to inspect 6.5 percent of that which you wanted to inspect.

Again, my point is if 40 percent of the active ingredients for prescription drugs comes from China and India and we have such a small amount of inspection going on and you say and everyone says we are in a global economy. Well, it does not look like we are in a global inspection system. Obviously, those patients who have died as a result of the heparin situation paid the price for that.

CANADIAN DRUGS

But I want to make one final point that is related to this. We are not inspecting these foreign sources of the elements of prescription drugs, but here are two pill bottles of Lipitor. As you know, the FDA itself has been helpful to the pharmaceutical industry in recent years in saying, well, if U.S. consumers were allowed to reimport FDA-approved drugs from a Canadian drugstore where they are sold at fraction of the price, these two bottles—one is the U.S. bottle; the other is Canada—both made in the same place, put in the same size bottle, a couple different changes in the label. The only difference here—the same pill, same bottle, same company, FDA-approved—is the U.S. consumer gets to pay twice the price. And yet, the FDA says, in assistance to the administration and the pharmaceutical industry, there is a problem with allowing the reimportation of a FDA-approved drug from Canada even while this occurs, such a miserable level of inspections internationally.

Now, I am not laying this all at your feet, Dr. von Eschenbach because you have not been there all that long. But I do think it relates to the questions asked by the chairman and the ranking member about resources and what are we deciding to do to protect the health of the American people with respect to these issues.

Dr. VON ESCHENBACH. Senator, I think it is both resources and a completely different way of doing business. First of all, with re-

gard to the process, we need to work more effectively and collaboratively with other regulatory agencies in other countries, but also with regard to the developers and suppliers of these drugs. They have an integral and important part to play in this as well.

TRACK AND TRACE

We are embarking upon this in a more comprehensive way than just simply increasing the number of inspections, which we will do, but we will do that in a risk-based model. We will do that in a very tiered fashion so that electronically we are able to be aware of all of the things in a track and trace and then define where we need to target those specific inspections where we believe there is the greatest potential for risk.

ACTIVE INGREDIENTS

Senator DORGAN. Now, last year I added report language to an appropriations bill that directs the FDA to tell us where are drugs made and where do the active ingredients come from. We have not yet received that. Is that on its way from the FDA to the Congress?

Dr. VON ESCHENBACH. We are in the process of—again, as we talked about earlier, our need for revamping and rebuilding of our information technology infrastructure to be able to create a system where we have product identification and we can actually track and determine all things that are coming——

UNITED STATES VERSUS CANADA

Senator DORGAN. But is the report on its way to Congress on where active ingredients come from? That is a requirement.

I have taken more time than I think I am allowed. One final question if I might.

This issue of United States versus Canada. Canada has an almost identical chain of control of prescription drugs, as we do. Most everyone understands and agrees with that. Europe has had a parallel trading program for 20 years. If you are in Spain and want to buy a prescription drug from Germany, no problem. If you are in Italy and want to buy it from France, no problem. Why is it that the FDA seems to think Europe can do something that we cannot do?

Dr. VON ESCHENBACH. First of all, Senator, the report is in progress and I cannot tell you exactly when it will be delivered to Congress. But it is in process and it is being prepared for delivery.

Let me separate this into two issues. One issue is how do we address the integrity of the supply chain of the development of that product. The second is how do we address the issue of the introduction of counterfeits into the supply chain with regard to reimportation. They are two completely different problems and require two completely different approaches because——

Senator DORGAN. Europe has done that for two decades.

Dr. VON ESCHENBACH. I just returned from——

Senator DORGAN. If they can do it, we can do it.

COUNTERFEITS

Dr. VON ESCHENBACH. I have just returned from some interactions with counterparts in which some of the transshipments through countries are detecting a significant degree of counterfeits being introduced into that process. We are addressing both of these, Senator, because they are both of critical importance to assuring the product that Americans use, when they take those drugs home and give them to their children or to themselves, that they are, in fact, getting the right product.

Senator DORGAN. Mr. Chairman, you have been generous.

Dr. von Eschenbach, would you be worried if a member of your family were taking a prescription drug that was FDA-approved and purchased in a Canadian drugstore?

Dr. VON ESCHENBACH. If I purchased it in a Canadian drugstore and——

Senator DORGAN. A registered pharmacy in Canada. FDA-approved, registered pharmacy in Canada. Would you be worried about the efficacy of that drug?

Dr. VON ESCHENBACH. It would depend on the drug, but no, I would not. But that is different than me having that imported into the United States through a website.

Senator DORGAN. That was not the question. You said no because, I assume, that the drugs for your family you would purchase in a registered Canadian pharmacy you feel has the same chain of command, almost identical to the United States. Is that——

Dr. VON ESCHENBACH. I have a high degree of respect for the Canadian system with regard to their own regulation of drugs. Yes, sir.

Senator DORGAN. Thank you, Dr. von Eschenbach.

Senator KOHL. Senator Reed.

INDOOR TANNING DEVICES

Senator REED. Thank you, Mr. Chairman. Thank you, Commissioner.

By September 27, 2008, the FDA must submit a report to Congress on its labeling requirements for indoor tanning devices. What is your understanding of the science of the risk of tanning devices and what progress has FDA made on reviewing these labeling requirements that you are required to promulgate?

Dr. VON ESCHENBACH. We have been actively involved in preparing that report to Congress, Senator. It really looks at the issue of warning labels, as you have requested. Personally as a melanoma survivor, I obviously have great interest and concern about this even though I am not directly involved in the specifics of this issue. But we are addressing this and addressing this as a public health need.

Senator REED. Your last statement presumes that existing scientific evidence suggests this is a public health problem.

Dr. VON ESCHENBACH. The concern is certainly—the concern is always with regard to potential problems for over-exposure or overuse.

Senator REED. Some individuals and groups are suggesting that indoor tanning devices are actually palliative, not dangerous at all.

For this reason, we are very eager for scientific evidence of their effects. Can you be more specific as to your progress? I presume if you are working towards this labeling, that there is some scientific predicate to labeling. Otherwise, you would come back to us and say the labeling is unnecessary.

Dr. VON ESCHENBACH. Well, the labeling needs to address the risks, as well as the benefits that may be associated with the use of this particular kind of device and the appropriate use of the device. And I believe that the Center for Devices and Radiologic Health is addressing this, both from the scientific perspective as well as from a consumer's understanding and appreciation of health messages associated with these products, and we will be presenting that report to Congress before September.

SUNSCREENS

Senator REED. Thank you very much, Commissioner.

In a related matter, the FDA is in the process of finalizing its proposed rule on sunscreen products. Can you give us an estimate of when it will be completed? It has been pending for a while now.

Dr. VON ESCHENBACH. Yes, sir. It was a matter of addressing the issue of adding the UVA component to the UVB standards with regard to the rule so that we now have two test methods for UVA and the inclusion of the appropriate warning statements. That proposed rule is in process, and I cannot give you an exact date of when it will be presented, but it is an issue that is being actively worked on for finalization.

Senator REED. Can you give an estimate? Within this quarter or next quarter?

Dr. VON ESCHENBACH. I would be reluctant to give you an estimate and then not be able to assure that, Senator. But I will assure you that this is not something that is being ignored. It is being given appropriate attention and the expectation is to finish this.

GENERIC DRUGS

Senator REED. Thank you.

We all recognize that generic drugs play an important role in the health care system today. I have been told that there are about 1,400–1,500 generic drug applications currently pending, with 570 or so pending over 180 days. Do you need increased funding for these generic reviews? Do you need something to expedite their approval?

Dr. VON ESCHENBACH. We are both blessed and challenged by the success that we have achieved with regard to bringing generic drugs to the American people. This year we received 880 applications—in 2007, rather. And we have approved 682, which was a 33 percent increase in 2007 over 2006. So the track record is extraordinary, but because the funnel has increased so significantly, that has continued to create the backlog issue.

NEW STAFF

Now, we have approached that on a variety of fronts. One is, as you indicated, applying additional resources. So we have hired ap-

proximately 40 new staff to address generic drug review. We are also beginning to attempt to try to prioritize the review process to get the first generics and also beginning to address things like process improvement, as well as enhancement of our infrastructure, specifically IT, work with the people who are creating these drug applications to get better quality into the applications so that they go through the regulatory process in a lot more efficient way. And I think the net effect of all of that would be to continue to enhance our productivity and reduce the backlog.

Senator REED. Thank you, Mr. Chairman.

ADDITIONAL STAFF

Senator KOHL. Thank you, Senator Reed.

Dr. von Eschenbach, going back to a comment I made in my opening statement, you say that your budget provides funding for increased activities for food safety and medical product safety and that you will hire several hundred additional staff this year. But the budget request is not enough to even pay for the staff that you now have. So how do you equate your intentions with respect to additional staff when you do not have money to even pay for the staff that you now have?

Dr. VON ESCHENBACH. Well, we are on the trajectory to increased staff. We do, in fact, have to absorb additional costs associated with that staff over and above what we currently have available to us in the budget. So it is perhaps slowing it down a little bit, but the trajectory is still very positive and we are still increasing the number of staff that we have. It is just we will not do it at the rate that we had anticipated because of needing to absorb the cost of living of $34 million that you indicated.

So the simple answer to your question, Senator, is we have to make accommodations in the pace with which we will bring those people on board in order to stay within our budget framework, but it will not be a negative. It will not be a deficit. It will be just not as rapid an accrual of those numbers as we had anticipated. We will just have to push it off a little bit.

Senator KOHL. I appreciate that, but what I think I and others are taking from what you are saying is that the lack of the necessary funding will, in fact, have a severe impact on your ability to do the things that you are saying you want to do.

Dr. VON ESCHENBACH. There are a very large number of important initiatives that we have identified that are part of what I consider to be the essential modernization of the FDA. Depending upon available resources, we would be able to implement many of those initiatives in as an effective way as possible. So I do agree with you from the perspective that there is much to be done and we are prepared to do it, and with support, we would implement those programs in a strategic way but also with great stewardship, recognizing how precious these resources are and how many other needs there are across the entire Federal Government.

CHINA OFFICE

Senator KOHL. Dr. von Eschenbach, can you provide us with a status update of the office that you are trying to open in China?

How many FDA employees do you anticipate working there, and what do you intend their focus to be?

Dr. VON ESCHENBACH. We anticipate a total of 13 individuals that will be making up our China office. Eight of those will be full-time FDA employees. Five of them will be locally employed staff. That will be give us great opportunity with regard to our ability to integrate effectively locally.

OTHER FOREIGN OFFICES

We also look forward to offices in India, the Middle East, Latin America, and Europe. And I have been engaged in conversations with governments and counterparts, as has Secretary Leavitt, in all of those areas. It is a balance between their willingness to welcome us and accept us at the government level. We have not yet secured that welcome from China officially, but we certainly have great interest and enthusiasm on the part of the ministers and government officials in China with whom we have discussed this. So I anticipate that it will occur.

We really look forward to the China office being fully implemented within this fiscal year, and we are laying the groundwork and would like very much to begin to develop the other sites as rapidly as possible.

POST-MARKET SAFETY

Senator KOHL. Dr. von Eschenbach, you noted in your statement several new medical devices that FDA approved last year. Post-market safety of medical devices obviously is an important issue for patients. But the number of staff in the FDA devices program is, in fact, decreasing this year. So can you comment on how you plan to continue improving these important devices, as well as ensuring their safety after they have been approved with the very minimal funding increases and, in fact, while at the same time losing staff?

Dr. VON ESCHENBACH. We are doing a number of things, Senator, one of which, as I had indicated earlier, is this ability to create much greater integration and interdependence across programs. For example, in this regard, I believe we could effectively enhance the performance in post-market surveillance, whether it is drugs or devices, by virtue of our information technology infrastructure and our ability to do much more effective post-market surveillance. We look forward to being able to continue to streamline and enhance the very effective programs that are already underway in the Center for Devices and Radiologic Health with regard to working with the industry in post-market surveillance.

So I think it is a combination of building the trajectory, as I have indicated before, finding ways to leverage currently ongoing resources or programs like IT, and continue to make strategic investments, especially as user fees contribute to this opportunity. And we expect our user fee program to increase. In 2009, there will be $52.5 million in this particular area. So we do look forward to growth, but it is going to come in different ways.

Senator KOHL. Senator Bennett.

CLOSING REMARKS

Senator BENNETT. Thank you very much, Mr. Chairman. I think all of the issues I have on my list have been covered either by you or Senator Dorgan or in my previous questions.

So let me again thank Dr. von Eschenbach and his team for their willingness to serve in what must occasionally be a somewhat contentious atmosphere, and I wish them well.

Senator KOHL. I want to associate myself with Senator Bennett's statements. I think it has been a good hearing. I think we have brought out very clearly, number one, the huge and expanding responsibilities the FDA has and, number two, the lack of satisfactory funding to carry out your responsibilities. Clearly, there is a very important job that we need to work together to achieve.

In fact, it is clear to us that you cannot carry out the responsibilities you have in a way that I believe would satisfy you without the necessary and adequate funding. I think there are plenty of professional people on your staff, most importantly yourself, who can and would get the job done with adequate funding, but without the funding, it is pretty hard to do the job that you need to do.

If you want to respond to that statement, that would be fine. You could make a comment or two and then we will close the hearing.

Dr. VON ESCHENBACH. I would just close, Mr. Chairman, with echoing what I know is both your sentiments and Senator Bennett's sentiments. This country and this agency is truly blessed by the people of the Food and Drug Administration. I have the privilege every day to witness their sacrifice, their commitment, and their unbelievable performance, given the nature of the challenges that they are burdened with every single day. If we were to talk about resources, it is resources that are not about programs. It is resources about people. And the Food and Drug Administration's most precious asset, this Nation's most precious asset, are these incredible individuals.

We need more of them. We need more of them with new and different skill sets that are going to be aligned with the challenges of the 21st century, new science that is emerging, new technologies that are emerging, new complexity in the production and consumption of products. One needs only to go and walk through a supermarket and realize that with the exception of meat and chicken, every other thing in that supermarket is their responsibility to assure to the American people the quality of those products.

Every dollar that you choose to invest is, I believe, my responsibility to use to nurture and support that workforce. We need a fellowship program that will be able to create the intellectual capital of tomorrow. We need career development for the people that are already there. We are going to hire over 700 new people, which I believe is a wise use of the resources that you will make available to us.

But if I was to leave you with one final word, it would be I do not believe that there is any greater investment the American people could make than to invest in the people who make up the Food and Drug Administration.

ADDITIONAL COMMITTEE QUESTIONS

Senator KOHL. Thank you very much. That is a fine statement. You made a fine appearance here this morning. We thank you, as well as Mr. Dyer and Mr. Turman for being here. And at this time we will close the hearing.

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

QUESTIONS SUBMITTED BY SENATOR HERB KOHL

FDA SCIENCE BOARD RECOMMENDATIONS

Question. If additional funding was provided to FDA this year above your request level, what are the top 3 most pressing needs you would address?

Answer. On November 6, 2007, the administration released its Action Plan for Import Safety. The Action Plan for Import Safety recognizes FDA's central role in ensuring the safety of America's food supply and the safety and effectiveness of medical products, regardless of where the food and medical products are produced.

Implementing the Action Plan for Import Safety is a top FDA objective, and FDA has three priorities to achieve that objective: FDA Beyond Our Borders, building a modern IT infrastructure, and risk-based science.

Beyond Our Borders is a core element of the Action Plan for Import Safety. Beyond Our Borders includes establishing offices in China, India, and other locations. The FDA Beyond Our Borders initiative also relies on greater collaboration with foreign regulators, the use of third parties to provide information about the compliance of regulated industry with FDA standards, and greater FDA direction to regulated industry to ensure that their global activities meet FDA standards.

FDA foreign inspections and import exams are also an essential part of the Beyond Our Borders Initiative. In addition to providing greater deterrence, FDA will better target inspections to firms and products that pose the greatest risk to consumers.

Consistent with recommendations in the Action Plan for Import Safety, FDA must modernize its IT systems. Improving FDA's IT will help the agency target inspections to foreign firms whose products pose the greatest risk. IT improvements will allow FDA to better predict the firms and products that pose the highest risk imports.

Under the Action Plan for Import Safety, FDA must also strengthen its capacity to conduct the science that supports risk-based inspections. FDA risk-based science is essential to assure that imports are safe. and to assure that FDA scientists stay ahead of those who accidentally or intentionally defeat FDA oversight of imports. The Action Plan for Import Safety requires a strong FDA program of risk-based science and laboratory support so that FDA can ensure the safety of imports for patients and consumers.

Question. Please provide a professional judgment budget, regardless of constraints faced by FDA due to DHHS or OMB, on additional funding needed by the Agency that could reasonably be expended, in fiscal year 20009.

Answer. The following document is an assessment of immediate resource needs based on a professional judgment analysis, without regard to the competing priorities that FDA, the President, and the President's advisors must consider as budget submissions to the Congress are developed. As the response indicates, the amounts identified are in addition to amounts appropriated to FDA in fiscal year 2008.

[The information is attached.]

FDA FISCAL YEAR 2009 PROFESSIONAL JUDGMENT ESTIMATE

[Dollars in millions]

	Fiscal year 2009	FTE
Food Protection	$125	259
Safer Drugs, Devices, and Biologics	100	160
Modernizing FDA Science and Workforce	50	71
Total	275	490

The amounts identified in this document support three strategic investment areas—protecting our food supply, assuring safer drugs, devices, and biologics, and modernizing the essential infrastructure of FDA's science and workforce. The amounts are in addition to amounts appropriated to FDA in fiscal year 2008. Investing in these three strategic areas will permit FDA to rapidly achieve important public health goals that cut across strategic components of the Agency.

This document responds to the request for the FDA's professional judgment concerning resource needs. The document and was developed without regard to the competing priorities that the President and his advisors must consider as budget submissions to the Congress are developed.

FDA FISCAL YEAR 2009 BUDGET AMENDMENT: FOOD PROTECTION PLAN (+$125 MILLION)

Core Elements and Strategic Activities	FPP Output	Amount	FTE
Prevention:			
1.1 Promote Increased Corporate Responsibility to Prevent Foodborne Illnesses: FDA will ensure the safety of imports by increasing FDA's presence beyond our borders and building capacity with foreign partners.	Increase FDA presence beyond our borders, including increased training for food safety best practices abroad. Offices in four additional countries with 7/8 FDA FTE and 4/5 foreign nationals per country/region. Yields FDA presence in five countries or regions of the world.	$16,000,000	24
	Increase technical assistance on food standards in at least 3 of the countries accounting for the major share of imports.	5,000,000	2
	Develop systems and tools for an international information exchange database related to inspections and quality.	5,000,000	3
1.2 Identify Food Vulnerabilities and Assess Risks: FDA will conduct risk-based prevention to better protect America's food supply. FDA will better understand food safety and food defense risks and use this understanding to define the optimum preventive controls to establish.	Increase capacity to collect & interpret data for risk-based prevention for products of greatest concern.	5,000,000	10
	Research and develop risk-based prevention strategies based on scientific data and protocols.	7,000,000	20
1.3 Expand Understanding and Use of Effective Mitigation Measures: FDA will develop and validate rapid detection tools to quickly detect and mitigate a potential problem.	Develop and validate rapid detection technologies and assays (see 2.3 for deploying technologies and assays); For high risk foods, commence work to develop two new priority tools and to validate two test methods for toxic chemicals or microbes developed by industry.	5,000,000	10
Sub-Total		43,000,000	69
Intervention:			
2.1 Inspections and Sampling Based on Risk: FDA will apply risk analysis to set priorities for food inspections and interventions.	20,000 more import food exams at the port of entry [1] ($300 each)	6,000,000	36
	800 more foreign food production and/or processing facility inspections and support for foreign inspections [1] (uc=$16.7K).	13,500,000	50
	800 more domestic food safety inspections [1] (uc=$8k)	6,500,000	33
2.2 Enhance Risk-Based Surveillance of Imported Foods at the Border: FDA will design and build risk-based algorithms to conduct inspections and detect food risks. Understanding the risks defines the number and types of inspections and tests needed to ensure that preventive controls are working.	Integrate and assimilate risk-based information into data systems	10,000,000	15
2.3 Better Detect Food System Signals that Indicate Contamination: FDA will deploy rapid detection technologies and assays and build laboratory infrastructure for faster testing. FDA will deploy state-of-the-art technology to improve the integration of incoming signals and achieve faster mitigation and response.	Improve signal detection of intentional and unintentional chemical and microbial contamination.	5,000,000	5
	Deploy 1–2 rapid detection assays to test high risk foods. Acquire advanced technology and deploy such equipment to FDA field and conduct technology transfer to industry.	5,000,000	5
	Build high throughput rapid detection technology into laboratory infrastructure	11,000,000	10

FDA FISCAL YEAR 2009 BUDGET AMENDMENT: FOOD PROTECTION PLAN (+$125 MILLION)—Continued

Core Elements and Strategic Activities	FPP Output	Amount	FTE
Sub-Total		57,000,000	154
Response:			
3.1 Improve Immediate Answer. FDA will enable real-time communication of lab results. FDA will develop protocols to facilitate tracebacks of foodborne illnesses. FDA will rapidly detect and respond foodborne outbreaks.	Develop and implement a system for traceback from product consumption back to the source of production using, for example, electronic pedigrees and industry applied technologies of bar coding and radio frequency identification.	10,000,000	20
	Enhance interoperable information technology networking system between FDA and Federal, State, and local testing labs.	10,000,000	6
3.2 Improve Risk Communications to the Public, Industry, and Other Stakeholders: FDA will enhance risk communication though aggressive, targeted food safety campaigns that disseminate clear and effective messages with regular updates through a variety of media to all target audiences.	Create a health hazards alert communication system using multiple media outlets to quickly inform a broad cross section of the public.	5,000,000	10
Sub-Total		25,000,000	36
GRAND TOTAL, Food Protection Plan		125,000,000	259

[1] FDA will hire and train additional field inspectors throughout fiscal year 2009. As a result, by fiscal year 2010, the proposed investment will allow FDA to increase its inspection and surveillance capacity by the number of inspections identified in this FPP output

FDA FISCAL YEAR 2009 BUDGET AMENDMENT: ENSURING SAFE AND EFFECTIVE MEDICAL PRODUCTS (+$100 MILLION)

Strategic Activity	Output	Amount	FTE
Safer Drugs, Devices, and Biologics:			
1.1 Science to Improve Medical Product Safety and Development: Use new science and analysis to improve the safety of medical products. In some cases, new science creates opportunities to leverage advances from one product area to promote safety in a different area.	Establish a unique device identification system to track devices, facilitate recalls, and support inventory management during disasters and terrorism response.	$7,500,000	17
	Implement FDAAA safety requirements related to pediatric drugs and devices, postmarket study commitments, clinical trials, active drug surveillance, labeling and safe use of drugs.	14,000,000	10
Sub-Total		21,500,000	27

1.2 Data Analysis Tools to Identify Safety Issues: Develop and implement quantitative decision-making tools to assess the safety and effectiveness of drugs, biologics, and devices throughout their lifecycle.	Build Regulated Product Information Data Warehouse that will enable intelligence sharing with other regulatory agencies.	15,000,000	.....
	Data access and analysis for active safety surveillance with development of scientific methods of data mining for signals of adverse events.	15,000,000	6
Sub-Total	.....	30,000,000	6
1.3 Risk-Based Inspection and Compliance: Strengthen field operations to better protect public health. The sheer volume of products, manufacturing plants, distributors, and importers demands a more robust inspection force with better capacity to reach the community that FDA regulates.	250 more foreign medical product facility inspections [1] (uc=$45.000)	11,200,000	50
	Increase FDA's presence beyond our borders to five countries or regions of the world.	10,800,000	18
	250 more domestic medical product inspections (uc=17.7K)	4,400,000	14
	Improve lab infrastructure and tools for rapid analysis of product/ingredient content.	7,500,000	5
	Increase import exams (10,000) and sampling/laboratory analysis (300)	6,600,000	35
	IT systems to achieve an integrated inventory database	3,000,000	.....
	Improve risk communications to public and industry	5,000,000	5
Sub-Total	.....	48,500,000	127
GRAND TOTAL, Medical Product Safety and Effectiveness	.....	100,000,000	160

[1] FDA will hire and train additional field inspectors throughout fiscal year 2009. As a result, by fiscal year 2010, the proposed investment will allow FDA to increase its inspection and surveillance capacity by the number of inspections identified in this output

FDA FISCAL YEAR 2009 BUDGET AMENDMENT: MODERNIZING FDA SCIENCE AND WORKFORCE (+50 MILLION)

Strategic Activity	Output	Amount	FTE
Modernizing FDA Science and Workforce:			
1.1 Science Leadership and Coordination: FDA will enhance science programs across the agency, especially in emerging areas such as nanotechnology and tissue engineering. FDA will establish mechanisms to access the best scientific knowledge and expertise to modernize its regulatory science. FDA will strengthen its capacity to support emerging areas of science and manufacturing that are essential to regulating FDA products.	Strengthen programs of emerging science in Centers and at the National Center for Toxicological Research and enhance integration.	$5,000,000	15
	Strengthen capacity to support nanotechnology, cell and gene therapies, robotics, genomics and proteomics, Critical Path initiatives, and advanced manufacturing technologies.	27,000,000	40
Sub-Total	.....	32,000,000	55

FDA FISCAL YEAR 2009 BUDGET AMENDMENT: MODERNIZING FDA SCIENCE AND WORKFORCE (+50 MILLION)—Continued

Strategic Activity	Output	Amount	FTE
1.2 Investments to Support Science-Based Regulation: FDA will upgrade its science capacity by providing more training and professional development support for FDA science staff. FDA will create an Agency-wide 2-year Science Fellows Program intended to include up to 2,000 trainees to develop a new cadre of emerging leaders in regulatory science. FDA will upgrade facilities that do not adequately support FDA's current or future mission.	Expand science training and professional development for career employees	4,000,000	8
	Launch Science Fellows Program and initiate recruitment of first 500 fellows	4,000,000	8
	Improve facilities outside of the Washington region to support FDA's mission and enable these facilities to accept new food and medical product technologies.	10,000,000	.....
Sub-Total	.....	18,000,000	16
GRAND TOTAL, Modernizing FDA Science and Workforce	.....	50,000,000	71

PAY COSTS

Question. If you plan to "absorb" the pay costs that you haven't actually paid for in the budget, what will you cut to do it?

Answer. The fiscal year 2009 President's Budget for FDA includes an increase of $25 million for the cost-of-living increase for FDA employees. The cost-of-living increase allows FDA to retain the professional workforce that performs FDA's public health mission. FDA will cover its fiscal year 2009 cost increases through a combination of strategies, reducing operating costs, and adjusting its hiring plan.

OVERSEAS STAFFING

Question. I understand that FDA has also expressed interest in opening other overseas offices to deal with the large and continually growing number of imported products—including one in India. Again, however, I don't see this reflected in the budget. Is this something you are considering? If so, where, and what would the cost be?

Answer. FDA has agreements in place and we are making final arrangements for offices in China. FDA is also planning to establish additional offices in India, and is exploring the possibility of opening offices in three additional regions. The President's fiscal year 2009 budget provides $3.1 million to establish the office in China. We have not developed specific estimates for additional offices by location because developing these estimates requires significant discussions with the host countries and the Department of State. The cost to establish additional foreign offices will depend on the office location, the activities that FDA staff will perform at the location, and the number of staff that FDA assigns to the location.

FOOD PROTECTION PLAN

Question. Last year, we provided you with a $56 million increase for food safety, and attached some very specific directives, including hiring additional inspectors, forming rapid response teams, and contracting with the National Academy of Sciences on a food safety study. You talked in your statement about what you have planned for 2009—can you provide us with specifics on how the money we've already given you has been spent?

Answer. With the funding provided in the January 1, 2008 increase, FDA has undertaken additional food safety activities. These funds were used to support planning and the initial stages of implementation of several Food Protection Plan initiatives. These initiatives include the FDA hiring surge, the Food Protection Plan, and the Import Safety Action Plan.

FDA was granted direct hire authority in April 2008 and will hire 161 new FTEs to work in food safety. The Office of Regulatory Affairs—ORA—completed a 3-year plan to increase State inspections and will hire an additional 77 new FTEs with the fiscal year 2008 appropriation and an additional 53 new FTE with the funds from the Consolidated Appropriations Act, 2008, which will be available on July 1, 2008 to conduct food field exams, inspections, and sample collections. These investigators will conduct critical activities such as import food field exams and assist senior investigators in performing high risk food inspections.

The Center for Food Safety and Applied Nutrition, known as CFSAN, hired one new FTE with the fiscal year 2008 appropriation and will hire an additional 28 new FTEs with the funds from the Consolidated Appropriations Act, 2008, which will be available on July 1, 2008 to assist with food safety work aimed at developing guidance to minimize microbial food safety hazards, developing best practices for preventive controls that rapidly determine the source of food contamination, developing risk ranking models for imported and domestic foods, providing technical assistance to foreign countries on Good Agricultural Practices, and continuing research to improve surveillance, sampling and traceback activities and other tools to rapidly detect and minimize the public health impact of foodborne pathogens, toxins, and other contaminants that threatens the U.S. food supply.

In addition, CFSAN is working with the Western Center for Food Safety at the University of California Davis to focus on the interface between food protection and the agricultural production of commodities. FDA has met with the National Academy of Sciences and discussed a statement of work for a comprehensive study of the gaps in public health protection provided by the United States' food safety system. In addition, FDA issued a Request for Applications for forming rapid response teams. Also, the Office of Crisis Management will hire two new FTEs with the fiscal year 2008 appropriation to assist FDA in quickly responding to food safety threats.

Question. You said as part of your statement that during the past year that FDA has expanded its capacity to detect radiological contamination of food by 150 per-

cent. We discussed at length last year the importance of being able to identify contaminants in the food supply as quickly as possible and provided money for those activities—can you further discuss your achievements in that regard?

Answer. In fiscal year 2007, FDA, through the Food Emergency Response Network, also known as FERN, awarded cooperative agreement grants to three additional State FERN radiological laboratories. These three labs increased the number of FDA's FERN cooperative agreement radiological laboratories to five. This is the basis of the statistic that FDA expanded its capacity to detect radiological contamination of food by 150 percent.

These five labs are geographically distributed and uniformly equipped with the latest detection equipment for responding to radiological contamination in foods. The cooperative agreements also provide funds to purchase reagents, supplies, and personnel. The model used for the development of these laboratories follows that of the FERN chemistry cooperative agreement labs. State FERN chemistry labs are fully equipped and trained to run FDA's FERN chemistry methods that are used to screen large numbers of samples. FDA used the FERN chemistry cooperative agreement labs very successfully to identify melamine contamination. FERN labs screened large numbers of plant protein samples in a short time frame.

The radiological labs participate in Federal and State surveillance sampling programs to monitor the food supply, and are involved in developing and validating contamination detection methods. Using FERN rapid screening methods, the labs also serve to dramatically increase the surge capacity of the laboratory network to respond to terrorist attack or a national emergency involving the food supply. The increased capacity to rapidly test large numbers of samples of foods that may be radiologically contaminated allows FDA's FERN laboratories to respond quickly to food supply events to protect public health and mitigate disruption of the distribution of important foods.

FIELD EXAMS/SAMPLES

Question. The budget States that FDA plans to perform additional 20,000 import field exams for food this year, but at the same time, the percent of import lines physically examined is going to decrease from the 2007 level. I know the number of import lines is growing rapidly, but this is a perfect example of your budget not keeping up with your mission. What does a "field exam" actually entail, and why is the percentage of imports physically examined actually decreasing?

Answer. As displayed in the fiscal year 2009 Congressional Justification (CJ), import physical exams are the total of import field exams and import laboratory sample analyses. A field exam is a visual examination of food to determine whether it complies with FDA requirements. The field exam involves actual physical examination of the food for admissibility factors such as storage or in transit damage, inadequate refrigeration, rodent or insect activity, lead in dinnerware, odor, and compliance with labeling requirement. A field exam cannot be used to test for microbiological or chemical contamination. As a result, FDA also conducts import sampling and analysis to test for such contamination.

In fiscal year 2009, FDA plans to perform an additional 20,000 import food field exams and an additional 75 food import lab sample analyses. In addition, FDA electronically screens all FDA-regulated products offered for import into the United States for a variety of risk factors. FDA electronically screens 100 percent of human food and animal feed prior notice submissions which are required for all food and feed imports.

In fiscal year 2007, the percent of import lines examined was 1.28 percent. For fiscal year 2008, FDA estimates that it will examine 1.13 percent of import lines. For fiscal year 2009, the estimate rises to 1.26 percent. Between fiscal year 2007 and fiscal year 2009, FDA is experiencing a decline in the percent of import lines physically examined at the same time that the number of import field exams is increasing due to the rapidly rising volume of food imports.

FDA will continue to focus resources on products that pose the highest potential risks to the United States. The benefit of physical exams comes from the quality and targeting of review activities, not from the volume of imports analyzed. The quality of import screening is a better measure of FDA's import strategy than simply focusing on the number of items physically examined.

THIRD PARTY CERTIFICATIONS

Question. The Food Protection Plan mentions in several places FDA's interest in expanding third-party certifications for domestic and international inspections and examinations. How would these work, and why is it cheaper than having FDA employees actually do the work?

Answer. The universe of domestic and foreign food establishments subject to FDA inspection is immense and is expected to see continued rapid growth. Third party certification programs, when correctly designed and implemented, allow FDA to accredit independent third parties, or to recognize entities that accredit third parties. FDA plans to use information gathered from third party inspections to evaluate compliance with FDA requirements and to allocate inspection resources more effectively. This would allow FDA to gather more information about manufacturers, especially foreign manufacturers, in a much more resource efficient way. Using third party certification programs allows FDA to leverage and benefit from the inspections conducted by others. FDA is working to develop standards that a certification organization must meet to receive FDA recognition.

GENERIC DRUGS

Question. In your statement, you note that in fiscal year 2007, generic drug approvals or tentative approvals increased by 30 percent over the previous year, even though it's taking longer, on average, to approve a generic. If the generic drug user fees you propose in your budget are not adopted by the authorizing committee, how much of an increase in funding for generic drug approval do you think would be necessary to continue making gains?

Answer. The increased resources recently provided by Congress have enabled FDA to hire more scientific review staff and achieve a 33 percent increase in the number of approvals and tentative approvals—from a total of 510 in fiscal year 2006 to 682 in fiscal year 2007.

In both fiscal year 2008 and fiscal year 2009, we hope to remain near the fiscal year 2007 performance level with a target of 700 ANDA approvals and tentative approvals, a slight increase over the 682 approval actions in fiscal year 2007.

A key performance measure of our generic application review process is the total number of ANDA actions, which include "approvals," "tentative approvals," "not approvables," and "approvable" actions. Under the fiscal year 2009 President's budget, we expect to be able to increase the number of total ANDA actions to 1900, an increase of 7 percent over fiscal year 2008 and fiscal year 2007.

We expect to be able to continue making performance gains in the generic drug review process with additional funding. Additional resources, like those envisioned under a user fee program, would give us additional staff enabling us to decrease ANDA action time, possibly resulting in more actions taken on ANDAs in a given year. Under such a program we would establish a new performance measurement structure around review performance targets, similar to the user fee program for new drug applications. We would also plan to use resources to increase our capacity to address other critical activities that are part of a complete generic drug review. This includes the scientific and legal components, and conduct of pre-approval inspections to ensure that manufacturing processes and facilities—often located in foreign countries—will deliver drug products that meet our quality standards. We recognize, however, that it would take a few years to ramp up such a program in order for us to see significant performance gains.

MEDICAL PRODUCT SAFETY

Question. Could you update us on your progress in this area?

Answer. FDA plans to use the funding increase for the Medical Product Safety and Development Initiative to support priority activities in the Biologics, Human Drugs, Device and Radiological Health, and Animal Drugs and Feed Programs.

In the Biologics Program, the resources in this initiative will allow FDA to strengthen essential infrastructure, including laboratory capacity and review expertise to prevent, detect, and respond to emerging safety threats in blood and blood products.

In the Biologics Program, the resources in this initiative will also allow FDA to strengthen medical and microbiologic review and acquire greater epidemiologic expertise to conduct adverse event analysis and safety investigations. FDA will also improve tissue safety by conducting workshops to educate industry about tissue processing and tissue safety technologies.

In the Device and Radiological Health Program, FDA will strengthen import safety by improving the ability of the ORA field operations to work on import issues with Customs and Border Protection and other agencies. FDA will also leverage information from other sources to conduct stronger risk-based entry review of medical devices.

In the Animal Drugs and Feed Program, the resources in this initiative will allow FDA to provide grants to stimulate development of new animal drugs under the Minor Use and Minor Species Animal Health Act of 2004.

DRUG SAFETY—IMPORTS

Question. In your statement, you note that the volume of drugs imported into the United States will likely increase by 12 percent during fiscal year 2009, but your budget for the Human Drugs Program—not including user fees—is only increasing by 1.3 percent. If you add in user fees, the increase is 8.5 percent. And this money is mostly for approving drugs, not monitoring them. How will you keep up?

Answer. FDA will continue to apply a risk-based approach to identify drug production and distribution activities of greatest concern, and focus resources on those activities. In addition, FDA is working to design an integrated drug registration and listing system that provides comprehensive, accurate, and up-to-date information. This system must cover each entity that produces and distributes drugs, each drug product that these entities produce and distribute, and each participant in the product's chain of custody—from manufacturing, through shipping and importation, to final distribution. Every participant in the drug production and distribution system, including excipient and component suppliers, active pharmaceutical ingredient suppliers, and finished dosage manufacturers must be known to FDA and responsible for the supply chain that precedes them and the quality of their products.

MERCURY TESTING

Question. Although FDA laboratory tests for element violations, including mercury, have declined by about 30 percent between 2003 and 2006, and the number of positive tests has declined to zero in 2005 and 2006, FDA issued a warning on eating fish, especially tuna fish, because of mercury contamination.

Why did FDA alert consumers to mercury poisoning risks in fish and at the same time reduce the number of tests for mercury and other metal in imported fish?

Answer. FDA's advisory to pregnant women, women who might become pregnant, nursing mothers, and young children is designed to ensure that fetuses and young children are not excessively exposed to methylmercury. According to the Centers for Disease Control and Prevention National Health and Nutrition Examination Survey, also known as NHANES, more than 95 percent of women of childbearing age are exposed to methylmercury below thresholds of safety designed to protect the fetus. Per NHANES, the remaining women still retain margins of safety. In effect, the advisory recommends that, as a matter of prudence, these remaining women increase their margins of safety. FDA is completing a risk assessment to better understand the risk to these individuals and to the population as a whole.

Because NHANES data identify the extent to which Americans are exposed to methylmercury, FDA's sampling program is primarily designed to learn the range of methylmercury concentrations in commercial fish species, including the highest and lowest concentrations and the mean concentration. We can then compare new results against these known values. In recent years, all our samples have been within the known ranges.

FDA uses sampling results to predict how exposures to methylmercury would be affected by changes in fish consumption. After the consumer advisory published in 2004, FDA increased its annual sampling levels to ensure the safety of fish consumption. After FDA completed this testing, and based on the results of this testing, FDA testing levels returned to levels that reflected the rate of sampling that FDA conducted prior to issuing the advisory.

FOOD PROTECTION PLAN

Question. On February 7, 2008, FSIS officials wrote to officials at FDA offering to free up FSIS inspection dollars to assist in the FDA Food Protection Plan. How did FDA respond to this letter?

Answer. On February 7, 2008, FSIS officials wrote to officials at FDA and stated, "FSIS personnel may be available to help provide coverage as an effective governmental presence in the riskiest FDA plants." In a February 21, 2008 letter, FSIS officials clarified, "this statement was not meant to suggest the FSIS employees would definitely be available to do this work. In point of fact, we have no reason to believe at this time, that any of the initiatives that we are undertaking will result in employees being available to provide inspection at FDA plants." In light of the clarification that FSIS provided, FDA did not respond to the letter in writing. Instead, FDA is conducting regular monthly meetings with FSIS on how to best leverage resources and work cooperatively to ensure a safe food supply for all Americans.

ESTRIOL

Question. On January 9, 2008, FDA announced that it was banning the use of estriol in compounded estrogens prescribed for decades by doctors for the treatment

of menopause symptoms in women. Please provide the committee with documentation of specific adverse events from the use of estriol during the past three decades, as well as details of specific scientific and medical research supporting the FDA's decision to ban estriol.

Answer. FDA has not banned estriol. Our January 9, 2008 action was aimed at false and misleading claims of certain compounding pharmacies that offer estriol products without a valid investigational new drug application, also known as an IND. Except in rare instances, compounding pharmacies do not report adverse events to FDA. However, the absence of evidence of a risk does not demonstrate the absence of the risk. One of the reasons we are encouraging IND submissions for estriol products is so that we will receive any adverse event information for these products.

Question. How many women are potentially affected by the FDA decision to ban estriol? What does the FDA estimate it will cost these women to return to their doctors and get a prescription for an alternative treatment?

Answer. FDA does not know how many women are potentially affected by FDA's decision to require health care practitioners to obtain INDs for compound estriol products. This is due, in part, to the fact that FDA has imperfect information about both the number of compounding pharmacies and the scope of pharmacy compounding operations. In general, there is no requirement for pharmacies to register or list with FDA.

We do not have information about the costs that women incur in connection with compounded or approved estrogen therapies. However, because healthcare providers can continue to treat patients under an FDA-sanctioned IND, FDA does not believe there is a need for women to return to their health care providers for alternative new prescriptions and treatments when they are receiving estrogen therapy under an FDA-sanctioned IND.

Question. I understand that the FDA action on estriol will not restrict access to this medication as a doctor can continue to prescribe estriol if he or she files an investigational new drug application (IND). FDA has further indicated that it is developing a simplified or streamlined IND for doctors. Can you give the committee specific information on this issue, including detailed information on the proposed simplified process, including if the development of this simplified process would be subject to notice and comment rulemaking?

Answer. Your understanding is correct. No drug containing estriol has been approved by FDA, and the safety and effectiveness of estriol is unknown. Therefore, physicians may not prescribe estriol, and pharmacies may not compound drugs under a physician's prescription that contain estriol, unless they have an FDA-sanctioned IND application.

An IND is an application submitted by a physician who both initiates and conducts an investigation, and under whose immediate direction the investigational drug is administered or dispensed. A physician might submit an IND to propose studying an unapproved drug, or for an approved product to study use in a new indication or in a new patient population.

Regulations describing the IND requirements can be found at 21 CFR 312, and detailed instructions for IND applications can be found on the FDA website. FDA also provides pre-IND consultations and assistance in developing applications.

An IND must generally contain information in three broad areas: Animal Pharmacology and Toxicology Studies, Manufacturing Information, and Clinical Protocol and Investigator information. In the clinical protocol section, the Investigator must also give a commitment to obtain informed consent from the research subjects, obtain review of the study by an institutional review board and agree to adhere to the IND regulations.

We would like to clarify that there is no official streamlined or simplified IND process; however, we use our discretion in determining how much and what type of information is appropriate for an application. For example, in the case of estriol, preclinical animal toxicology and pharmacology data might not be necessary because the product has already been used in humans. INDs can cover research involving several patients, so that a physician need not submit separate INDs for individual patients. These types of decisions in evaluating IND applications would not be made through the rule-making process.

Question. If the FDA's assertion is correct, and an IND process can be developed that is simple and that will not discourage physicians from writing prescriptions containing estriol, can you estimate how many doctors would submit the simplified IND? Since the FDA is required to review every application for an IND, can you also estimate the cost and time required for the FDA to review these submissions, and the effect this would have on the agency's ability to process other INDs?

Answer. As FDA does not know how many women are potentially affected by FDA's decision, we cannot estimate how many doctors would submit an IND. Without knowing how many INDs the FDA will receive we cannot estimate the total cost and time required for the FDA to review these submissions, nor how it would affect FDA's ability to process other INDs.

Question. INDs require well-controlled, randomized clinical studies including a placebo or control arm. Is the FDA suggesting that some women would receive a placebo without their knowledge?

Answer. INDs do not require that well-controlled, randomized clinical studies be conducted. One of the objectives of the IND requirement is to help assure the safety and rights of subjects. There are various ways for conducting clinical trials, and not all methods require use of placebo controls. FDA is not suggesting that a woman would receive a placebo, and certainly not without informed consent which would inform her of that possibility.

REPORTS

Question. Please provide monthly updates on the status of all outstanding reports requested as part of the report accompanying Public Law 110–161.

Answer. I will be happy to provide a status report of all outstanding reports.

[The information follows:]

REPORT	STATUS
BSE	Transmitted to Congress 5.20.08
Diacetyl	Transmitted to Congress 3.25.08
Folic	Transmitted to Congress 5.20.08
Food Safety Quarterly (1st Q)	In Clearance Process
Food Safety Quarterly (2nd Q)	HHS Awaiting FDA Draft
Foreign Drugs (Interim)	In Clearance Process
Foreign Drugs (Final)	In Clearance Process
Front Label Symbols	In Clearance Process
GAO Recommendations	In Clearance Process
Ketek	In Clearance Process
Mammography IOM Recommendations	In Clearance Process
Med Guide	Not due until Dec 08
Methamphetamine	Transmitted to Congress 4.22.08
Microbial Resistance	Transmitted to Congress 1.2.08
National Research Initiative	In Clearance Process
OIG Recommendations	In Clearance Process
Post Marketing Studies	In Clearance Process
Removing Food Safety from GAO High Risk List	In Clearance Process
Women's Health (Quarter 1)	Transmitted to Congress 4.14.08
Women's Health (Quarter 2)	HHS Awaiting FDA Draft

POST-MARKET SURVEILLANCE OF SILICONE BREAST IMPLANTS

Question. When the FDA approved the use of silicone breast implants in 2006, I understand that it included a requirement that all women who receive these implants must participate in a post-approval study to ensure that these implants were safe. However, I understand that participation in these studies is now discretionary. What is the status of the post-market safety studies of silicone breast implants, and what authority does FDA have to require that manufacturers conduct the studies?

Answer. When the FDA approved the use of silicone breast implants in 2006, FDA required Mentor Corporation and Inamed Corporation, which is now named Allergan, to conduct post approval studies, also known as PAS, to answer particular questions. FDA allowed the companies the opportunity to develop different study designs and other protocol elements to meet this requirement. The goals were to design studies that would minimize bias in the study results and in which the subject enrollment goals could be achieved. The participation could be voluntary or mandatory. The companies proposed the specific study designs to answer those questions and submitted them for FDA approval. Allergan proposed, and FDA approved, a study with voluntary participation. Mentor originally proposed, and FDA approved, a study where participation was mandatory in order for women to obtain the Mentor product.

In April 2007 FDA approved Mentor's request to amend the MemoryGel™ Large Post-Approval Study protocol to allow for voluntary instead of mandatory participation of study subjects to address concerns regarding enrollment.

The status of Allergan's and Mentor's postmarket studies of silicone breast implants and conditions is summarized in a table that I would be happy to provide for the record.

[The information follows:]

STATUS OF ALLERGAN'S AND MENTOR CORPORATION'S SILICONE GEL-FILLED BREAST IMPLANT POSTMARKET STUDIES AND CONDITIONS

Approval Condition	Allergan	Mentor
Core Post-Approval Study	Reporting status: On time [2] Study Status: On time [3]	Reporting status: On time 2 Study Status: On time [3]
Large Post-Approval Study	Reporting status: On time [1] Study Status: Overdue [3] (12-month patient enrollment target was not met).	Reporting status: On time [1] Study Status: On time [3]
Device Failure Studies	Reporting status: On time [2] Study Status: On time [3]	Reporting status: On time [2] Study Status: On time [3]
Focus Group Study	Reporting status: On time [2] Study Status: On time [3]	Reporting status: On time [2] Study Status: On time [3]
Informed Decision Process	Reporting status: On time [2] Study Status: On time [3]	Reporting status: On time [2] Study Status: On time [3]
Adjunct Study	Reporting status: On time [2] Study Status: On time [3]	Reporting status: On time [2] Study Status: On time [3]

[1] Reporting status for Larger Post-Approval Study is ''On time'' if 15-month report was received by the February 16, 2008 due date.

[2] Reporting status is ''on time'' if 12-month report for a post-approval study other than the Larger Post-Approval Study was received by November 17, 2007 due date.

[3] Study progress status for a post-approval study condition is ''On time'' if patient enrollment and follow-up targets have been met and ''Overdue'' if the interim enrollment target was not met.

FDA may require that manufacturers conduct studies under 21 CFR section 814.82 or 21 CFR Part 822.

MDUFMA

Question. As you know, the President's budget calls for increased funding for the medical device user fee program, and the Congress has provided inflationary increases to fully fund the program in the past. How the agency is doing in regards to meeting the performance goals associated with the user fee program with the funding it has gotten to date?

Answer. FDA continues to succeed in improving the process for the review of medical device applications and meeting the performance goals first established under the Medical Device User Fee and Modernization Act of 2002, known as MDUFMA. Title II of the Food and Drug Administration Amendments Act of 2007 continued MDUFMA performance goals.

MDUFMA requires close collaboration with stakeholders and increased communication with applicants. FDA is working to clarify its regulatory requirements and make its decisions more transparent through new guidance, educational materials, and meetings. We continually seek to enhance the efficiency and flexibility of our review processes. These efforts help applicants improve the quality of their submissions, and help FDA provide timelier, better-focused reviews. Our ultimate objective is to make important new medical devices available to patients and healthcare providers earlier, while continuing to ensure the quality, safety, and effectiveness of those devices.

I would be happy to provide for the record a table that summarizes FDA's performance on the goals established for the fiscal year 2003-fiscal year 2007 receipt cohorts, showing results achieved through March 31, 2008. The goals applicable to the fiscal year 2008 receipt cohort have been in place for only 6 months, so it is too early for statistical measures to provide useful insights into our progress towards achieving those goals. FDA has, however, taken action to ensure that we are well positioned to achieve the goals for fiscal year 2008-fiscal year 2012. FDA is developing and implementing a new interactive review process that will contribute to better communication with applicants and more rapid resolution of review questions.

[The information follows:]

QUARTERLY REPORT ON PROGRESS TOWARDS ACHIEVING MEDICAL DEVICE PERFORMANCE GOALS SUMMARY TABLES

[Actions through March 31, 2008—Data for FDA]

Activity	Review Time Goal	Performance Goals and Actual Performance to Date									
		Fiscal Year 2003		Fiscal Year 2004		Fiscal Year 2005		Fiscal Year 2006		Fiscal Year 2007	
		Goal	Actual Percent	Goal	Actual Percent	Goal Percent	Actual Percent	Goal Percent	Actual Percent	Goal Percent	Actual Percent
PMAs, Panel-Track Supplements, Premarket Reports:											
FDA decision (approval, approvable, approvable pending GMP inspection, not approvable.	320 days	.....	91.8	.....	91.7	.....	87.7	80	83.7	90	100
FDA decision—Percent within 180 days	180 days	.....	44.9	.....	37.5	.....	29.8	.....	36.7	50	41.2
Expedited PMAs:											
FDA decision (approval, approvable, approvable pending GMP inspection not approvable.	300 days	.....	100	.....	92.3	70	83.3	80	100	90	.....
180-day PMA Supplements:											
FDA decision (approval, approvable, approvable pending GMP inspection not approvable.	180 days	.....	94.1	.....	95.3	80	95.0	80	97.0	90	92.8
510(k)s:											
FDA decision (SE/NSE)	90 days	.....	76.1	.....	83.9	75	91.1	75	91.6	80	92.7
Biologics Licensing Applications (BLAs):											
Review and act on standard original BLAs (issue "complete action" letter).	10 months	.....	.....	.....	100	.....	100	75	97.7	90	97.7
Review and act on priority ordinal BLA submissions (issue "complete action" letter).	6 months	.....	.....	.....	.....	.....	.....	75	.....	90	.....
BLA Supplements:											
Review and act on standard BLA efficacy supplements (issue "complete action" letter).	10 months	.....	100	.....	.....	.....	.....	75	.....	90	.....
Review and act on priority BLA efficacy supplements (issue "complete action" letter).	6 months	.....	.....	.....	.....	.....	.....	75	.....	90	.....
Review and act on BLA manufacturing supplements that require prior approval (issue "complete action" letter).	4 months	.....	.....	.....	.....	.....	.....	75	.....	90	.....

BLA Resubmissions, BLA Supplement Resubmissions:											
Review and act on a Class I resubmission to an original BLA or BLA efficacy supplement (issue ''complete action'' letter).	2 months	.....	.....	.....	.....	75	100	80	.....	90	100
Review and act on a Class 2 resubmission to an original BLA or BLA efficacy supplement (issue ''complete action'' letter).	6 months	.....	100	.....	80	75	100	80	100	90	100

Question. What criteria does the agency use to determine the allocation and priority for the distribution of any increase in staff across FDA components, including offices, divisions, or branches resulting from the medical device user fees and related Congressional appropriations?

Answer. The Food and Drug Administration Amendments Act of 2007, known as FDAAA, was signed into law on September 27, 2007. FDAAA reauthorized FDA's authority to collect fees from the medical device industry under the Medical Device User Fee and Modernization Act, also known as MDUFMA. The activities that comprise the medical device review process are defined in MDUFMA. Medical device review components within FDA receive increased allocations from device user fee collections, as defined by MDUFMA.

FDA allocates medical device user fees and other medical device appropriations to best achieve FDA's public health objectives, device performance goals, and other expectations established under MDUFMA, as amended. The allocation between the Center for Devices and Radiological Health (CDRH) and the Center for Biologics Evaluation and Research (CBER) is based on the workload balance between the two centers. FDA estimates the percent of the device review workload performed by CDRH and CBER, and allocates MDUFMA resources accordingly. Field resources are allocated among FDA district offices by the Office of Regulatory Affairs according to each district's projected workload. The Centers and ORA apportion their individual resource allocations to their offices, divisions, and branches.

ADDITIONAL TOOLS

Question. Despite the increased funding the FDA has received over the last 5 years in appropriations and user fees to hire more FTEs, we know the demands on staff remain very high. I am aware that there are additional tools, such as third party reviews, third party inspections, and the CDRH fellowship program to augment the work of the Agency. Can you discuss benefits and/or shortfalls of these programs?

Answer. These three programs—third-party review of 510(k) premarket notifications, third-party establishment inspections, and the Medical Device Fellowship Program—provide FDA with important tools that can help us better achieve our public health objectives.

The purpose of the program permitting third-party review of certain 510(k) premarket notifications is to improve the efficiency and timeliness of FDA's 510(k) process. This is the process by which most medical devices receive marketing clearance in the United States. Under the program, FDA has accredited third-parties that are authorized to conduct the primary review of 510(k)s for eligible devices. Persons who are required to submit 510(k)s for these devices may elect to contract with an Accredited Person and submit a 510(k) directly to the Accredited Person. The Accredited Person conducts the primary review of the 510(k), then forwards its review, recommendation, and the 510(k) to FDA. By law, FDA must issue a final determination within 30 days after receiving the recommendation of an Accredited Person. 510(k) submitters who do not wish to use an Accredited Person may submit their 510(k)s directly to FDA. FDA data shows that third-party reviews are somewhat more rapid than an FDA review in some instances. Third-party 510(k)s submitted to FDA are also exempt from any medical device user fee that would otherwise apply.

As of April 15, 2008, FDA has accredited 16 third-party organizations to conduct quality systems inspections of certain medical device establishments. Individuals from eight of these organizations have completed FDA's training requirements and FDA has cleared these individuals to conduct independent inspections. Through April 15, 2008, accredited organizations have conducted six inspections. Although few inspections have been conducted to date, changes specified by the Food and Drug Administration Amendments Act of 2007, also known as FDAAA, have the potential to eliminate certain obstacles to manufacturers' participation in FDA's programs for inspections by accredited third parties.

CDRH established the Medical Device Fellowship Program, also known as MDFP, to increase the range and depth of collaborations between CDRH and the outside scientific community. The MDFP offers short and long-term fellowship opportunities for individuals interested in learning about the regulatory process and sharing their knowledge and experience in the many specialized fields that concern medical devices. Physicians with clinical or surgical expertise, engineers in biomedical, mechanical, electrical and software areas, and individuals from many other scientific disciplines have participated in the fellowship program. Opportunities are available for students in many other areas as well. This collaboration improves FDA's review processes, postmarket surveillance, and science base, all of which contribute to ef-

forts to ensure patients and health care professionals have timely and continued access to safe and effective medical devices.

GUIDANCE DEVELOPMENT

Question. The rules and processes for FDA regulatory decision-making are necessarily complex. Since it is not possible for FDA and Congress to anticipate every situation in statute and regulation, the issuance of guidance documents by FDA is essential to helping industry keep abreast of current agency thinking. Given that lack of adequate guidance often results in the need for meetings with submitters, extra rounds of submissions, and other inefficiencies, do you believe that putting upfront resources into guidance development will reap efficiency and provide industry with broad access to FDA thinking on a timely and meaningful basis?

Answer. The agency makes extensive use of guidances to the extent possible. FDA's Good Guidance Practices have been in effect for more than 7 years. Under Good Guidance Practices, FDA centers made available draft and final guidance documents, for comment and use, covering a broad spectrum of topics. These guidances include technical guidances that may recommend the best means for producing clinical trial data. FDA guidances also include non-technical guidances, called Level 1 guidances that provide more complex scientific information or provide initial interpretations of statutory and regulatory requirements. During 2007, we published 95 Federal Register Notices alerting the public to the availability of draft and final guidances. While the recommendations in the guidances are not legally binding, these recommendations do provide the agency's current thinking on an issue to industry and the public. FDA believes that the guidances that we issue are very useful and that resources that FDA devotes to developing guidances are a worthwhile investment.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

FOOD SAFETY GAPS

Question. As you are well aware, gaps in our food safety system have been exposed and people have become sick and worse have died from contaminated products like spinach and peanut butter. Yet, the Food and Drug Administration has only asked for a slight increase in funding for fiscal year 2009. With the increase in food imports, and the changing structure of our food supply system in the United States, I am concerned that the Food and Drug Administration (FDA) is neither prepared nor taking steps to adapt to the changes to be effective in protecting our food supply.

Dr. von Eschenbach, can you tell me how many inspectors are currently employed at the Food and Drug Administration? What percentage is that of the total FDA workforce?

Answer. In fiscal year 2008, the Office of Regulatory Affairs, also known as ORA, currently estimates that it will have 1,218 investigators. Investigators represent approximately 12 percent of the total 9,975 FTE FDA workforce in fiscal year 2008.

In fiscal year 2009, ORA currently estimates that it will have 1,300 investigators. Investigators represent approximately 12 percent of the total 10,501 FTE FDA workforce in fiscal year 2009. It should be noted that the ORA hiring initiative is on-going in fiscal year 2008 and that ORA is still developing hiring plans based on the fiscal year 2009 requested increase. As a result, these figures are estimates and may change as hiring is completed.

Question. Can you tell me how many inspectors currently employed at the Food and Drug Administration are dedicated solely to food inspection?

Answer. In fiscal year 2008, ORA estimates 587 investigators will perform work in the Foods Program. Many field investigators are cross-trained and may perform work in multiple programs as work priorities change or emergencies arise. For fiscal year 2009, ORA currently estimates that approximately 650 investigators will perform work in the Foods program. It should be noted that the ORA hiring initiative is on-going in fiscal year 2008 and that ORA is still developing hiring plans based on the fiscal year 2009 requested increase. Consequently, these figures are estimates and may change as hiring is completed. Additional field staff in the foods program will support the fiscal year 2009 performance increases of 20,000 additional import food field exams and 50 additional foreign food inspections.

Question. Where are the FDA inspectors located? Please be specific.

Answer. ORA field staff are dispersed throughout the United States. More than 85 percent of ORA's staff works in five Regional Offices, 20 District Offices, 13 Laboratories, and 168 Resident Posts and Border Stations. As a separate entity within

ORA, Office of Criminal Investigations personnel are located throughout the field organization in 30 Field Offices, Resident Offices, and Domiciles, which are located throughout the U.S. FDA maintains offices and staff in Washington, D.C., the U.S. Virgin Islands, Puerto Rico, and in all States except Wyoming.

I would be happy to provide a table that highlights this information. The information provided in the following table specifically provides ORA's geographic distribution of facilities which includes the locations of FDA investigators nationwide.

[The information is attached.]

GEOGRAPHIC DISTRIBUTION OF FACILITIES

Building Name	Center	City	State	OP DIV Subdivision
Resident Post—Mobile, AL	ORA	2100—MOBILE	1—AL	SOUTHEAST (ATLANTA)
Resident Post—Montgomery, AL	ORA	2130—MONTGOMERY	1—AL	SOUTHEAST (ATLANTA)
Resident Post—Birmingham, AL	ORA	350—BIRMINGHAM	1—AL	SOUTHEAST (ATLANTA)
Resident Post—Anchorage, AK	ORA	130—ANCHORAGE	2—AK	PACIFIC (OAKLAND)
Border Station—Nogales, AZ	ORA	330—NOGALES	4—AZ	SOUTHWEST (DALLAS)
Border Station—Nogales, AZ	ORA	330—NOGALES	4—AZ	SOUTHWEST (DALLAS)
Border Station—San Luis, AZ	ORA	417—SAN LUIS	4—AZ	SOUTHWEST (DALLAS)
Border Station—San Luis, AZ	ORA	417—SAN LUIS	4—AZ	SOUTHWEST (DALLAS)
Resident Post—Phoenix, AZ	ORA	490—TEMPE	4—AZ	SOUTHWEST (DALLAS)
Resident Post—Tucson, AZ	ORA	530—TUCSON	4—AZ	SOUTHWEST (DALLAS)
Resident Post—Little Rock, AR	ORA	2320—LITTLE ROCK	5—AR	SOUTHWEST (DALLAS)
District Office W/Lab—San Francisco	ORA	10—ALAMEDA	6—CA	PACIFIC (OAKLAND)
Border Station—Calexico, CA	ORA	520—CALEXICO	6—CA	PACIFIC (OAKLAND)
Border Station—Calexico, CA	ORA	520—CALEXICO	6—CA	PACIFIC (OAKLAND)
Resident Post—Fresno, CA	ORA	1370—FRESNO	6—CA	PACIFIC (OAKLAND)
Irvine Regional Laboratory—Security Gate House	ORA	1713—IRVINE	6—CA	PACIFIC (OAKLAND)
Resident Post—San Pedro, CA	ORA	1970—LONG BEACH/San Pedro	6—CA	PACIFIC (OAKLAND)
Resident Post—Canoga Park, CA	ORA	1970—CANOGA PARK	6—CA	PACIFIC (OAKLAND)
Resident Post—Nisco Pacific Warehouse—Compton, CA	ORA	810—COMPTON	6—CA	PACIFIC (OAKLAND)
Resident Post—LAX (El Segundo)	ORA	1980—LOS ANGELES	6—CA	PACIFIC (OAKLAND)
Regional Field Office—Pacific—Oakland	ORA	2480—OAKLAND	6—CA	PACIFIC (OAKLAND)
Resident Post—Ontario, CA	ORA	2550—ONTARIO	6—CA	PACIFIC (OAKLAND)
Border Station—Otay Mesa, CA	ORA	2610—OTAY	6—CA	PACIFIC (OAKLAND)
Resident Post—Sacramento, CA	ORA	3150—SACRAMENTO	6—CA	PACIFIC (OAKLAND)
Resident Post—Otay Mesa, CA	ORA	3260—SAN DIEGO	6—CA	PACIFIC (OAKLAND)
Resident Post—San Diego, CA	ORA	3260—SAN DIEGO	6—CA	PACIFIC (OAKLAND)
Resident Post—San Jose, CA	ORA	3340—SAN JOSE	6—CA	PACIFIC (OAKLAND)
Resident Post—San Francisco Airport, CA	ORA	3730—SAN FRANCISCO	6—CA	PACIFIC (OAKLAND)
Resident Post—Stockton, CA	ORA	3770—STOCKTON	6—CA	PACIFIC (OAKLAND)
Border Station—Tecate, CA	ORA	3835—TECATE	6—CA	PACIFIC (OAKLAND)
Resident Post—Carson, CA	ORA	602—CARSON	6—CA	PACIFIC (OAKLAND)
District Office W/Lab—Denver	ORA	600—DENVER	8—CO	SOUTHWEST (DALLAS)
Resident Post—Bridgeport, CT	ORA	80—BRIDGEPORT	9—CT	NORTHEAST (NEW YORK)
Resident Post—Hartford, CT	ORA	280—HARTFORD	9—CT	NORTHEAST (NEW YORK)
Resident Post—Wilmington, DE	ORA	490—WILMINGTON	10—DE	CENTRAL (PHILADELPHIA)
Resident Post—Boca Raton, FL	ORA	290—BOCA RATON	12—FL	SOUTHEAST (ATLANTA)

GEOGRAPHIC DISTRIBUTION OF FACILITIES—Continued

Building Name	Center	City	State	OP DIV Subdivision
Resident Post—Fort Myers, FL	ORA	1070—FORT MYERS	12—FL	SOUTHEAST (ATLANTA)
Resident Post—Jacksonville, FL	ORA	1510—JACKSONVILLE	12—FL	SOUTHEAST (ATLANTA)
District Office—Florida	ORA	1895—MAITLAND	12—FL	SOUTHEAST (ATLANTA)
Resident Post—Miami, FL—Import	ORA	2010—MIAMI	12—FL	SOUTHEAST (ATLANTA)
Resident Post—Miami, FL—Domestic	ORA	2010—MIAMI	12—FL	SOUTHEAST (ATLANTA)
Resident Post—Tallahassee, FL	ORA	2940—TALLAHASSEE	12—FL	SOUTHEAST (ATLANTA)
Resident Post—Tampa, FL	ORA	2950—TAMPA	12—FL	SOUTHEAST (ATLANTA)
District/Region—Atlanta	ORA	280—ATLANTA	13—GA	SOUTHEAST (ATLANTA)
Resident Post—Savannah, Ga	ORA	4910—SAVANNAH	13—GA	SOUTHEAST (ATLANTA)
Resident Post—Tifton, GA	ORA	5490—TIFTON	13—GA	SOUTHEAST (ATLANTA)
Resident Post—Honolulu, HI	ORA	2400—HONOLULU	15—HI	PACIFIC (OAKLAND)
Resident Post—Boise, ID	ORA	160—BOISE	16—ID	PACIFIC (OAKLAND)
Border Station- Eastport, ID	ORA	445—EASTPORT	16—ID	PACIFIC (OAKLAND)
Resident Post—Bensenville, IL	ORA	740—BENSENVILLE	17—IL	CENTRAL (CHICAGO)
District Office—Chicago	ORA	1670—CHICAGO	17—IL	CENTRAL (CHICAGO)
Regional Field Office—Central—Chicago	ORA	1670—CHICAGO	17—IL	CENTRAL (CHICAGO)
Resident Post—Gurnee, IL	ORA	3670—GURNEE	17—IL	CENTRAL (CHICAGO)
Resident Post—Hinsdale, IL	ORA	3980—HINSDALE	17—IL	CENTRAL (CHICAGO)
Resident Post—Mount Vernon, IL	ORA	5900—MT VERNON	17—IL	CENTRAL (CHICAGO)
Resident Post—Peroia, IL	ORA	6850—PEORIA	17—IL	CENTRAL (CHICAGO)
Resident Post—Springfield, IL	ORA	8220—SPRINGFIELD	17—IL	CENTRAL (CHICAGO)
Resident Post—Evansville, IN	ORA	1480—EVANSVILLE	18—IN	CENTRAL (CHICAGO)
Resident Post—Indianapolis, IN	ORA	2210—INDIANAPOLIS	18—IN	CENTRAL (CHICAGO)
Resident Post—South Bend, IN	ORA	4580—SOUTH BEND	18—IN	CENTRAL (CHICAGO)
Resident Post—Davenport, IA	ORA	2080—DAVENPORT	19—IA	SOUTHWEST (DALLAS)
Resident Post—Des Moines, IA	ORA	2260—DES MOINES	19—IA	SOUTHWEST (DALLAS)
Resident Post—Sioux City, IA	ORA	7850—SIOUX CITY	19—IA	SOUTHWEST (DALLAS)
District Office—Kansas City	ORA	3080—LENEXA	20—KS	SOUTHWEST (DALLAS)
Resident Post—Wichita, KS	ORA	5880—WICHITA	20—KS	SOUTHWEST (DALLAS)
Resident Post—Louisville, KY	ORA	2090—LOUISVILLE	21—KY	CENTRAL (PHILADELPHIA)
Resident Post—Baton Rouge, LA	ORA	150—BATON ROUGE	22—LA	SOUTHEAST (ATLANTA)
Resident Post—Lafayette, LA	ORA	1230—LAFAYETTE	22—LA	SOUTHEAST (ATLANTA)
Mandeville Square Shopping Center	ORA	1400—MANDEVILLE	22—LA	SOUTHEAST (ATLANTA)
Metairie Center	ORA	1545—METAIRIE	22—LA	SOUTHEAST (ATLANTA)
Resident Post—Shreveport, LA	ORA	2130—SHREVEPORT	22—LA	SOUTHEAST (ATLANTA)
Resident Post—Augusta, Me	ORA	160—AUGUSTA	23—ME	NORTHEAST (NEW YORK)

Border Station—Calais, ME	ORA	1250—CALAIS	23—ME	NORTHEAST (NEW YORK)
Border Station—Houlton, ME	ORA	3750—HOULTON	23—ME	NORTHEAST (NEW YORK)
Border Station—Houlton, ME	ORA	3750—HOULTON	23—ME	NORTHEAST (NEW YORK)
District Office—Baltimore	ORA	50—BALTIMORE	24—MD	CENTRAL (PHILADELPHIA)
Resident Post—Dundalk, MD—Import	ORA	50—BALTIMORE	24—MD	CENTRAL (PHILADELPHIA)
District Office—New England	ORA	1275—STONEHAM	25—MA	NORTHEAST (NEW YORK)
Resident Post—Worchester, MA	ORA	1520—WORCESTER	25—MA	NORTHEAST (NEW YORK)
Resident Post—Boston, MA	ORA	120—BOSTON	25—MA	NORTHEAST (NEW YORK)
Detroit District Office—Office	ORA	1260—DETROIT	26—MI	CENTRAL (CHICAGO)
Border Station—Detroit, MI	ORA	1260—DETROIT	26—MI	CENTRAL (CHICAGO)
Resident Post—Grand Rapids, MI	ORA	2010—GRAND RAPIDS	26—MI	CENTRAL (CHICAGO)
Resident Post—Kalamazoo, MI	ORA	2520—KALAMAZOO	26—MI	CENTRAL (CHICAGO)
Border Station—Bluewater Bridge, MI	ORA	4060—PORT HURON	26—MI	CENTRAL (CHICAGO)
Border Station—Sault Ste Marie, MI	ORA	4480—SAULT STE MARIE	26—MI	CENTRAL (CHICAGO)
Resident Post—International Falls, MN	ORA	3480—INTERNATIONAL FALLS	27—MN	CENTRAL (CHICAGO)
District Office—Minneapolis	ORA	4760—MINNEAPOLIS	27—MN	CENTRAL (CHICAGO)
Resident Post—Jackson, MS	ORA	1220—JACKSON	28—MS	SOUTHEAST (ATLANTA)
Resident Post—St Louis, MO	ORA	7080—ST LOUIS	29—MO	SOUTHWEST (DALLAS)
Resident Post—Springfield, MO	ORA	7460—SPRINGFIELD	29—MO	SOUTHWEST (DALLAS)
Resident Post—Helena MT	ORA	590—HELENA	30—MT	PACIFIC (OAKLAND)
Border Station—Sweetgrass, MT	ORA	1125—SWEETGRASS	30—MT	PACIFIC (OAKLAND)
Resident Post—Omaha, NE	ORA	3620—OMAHA	31—NE	SOUTHWEST (DALLAS)
Resident Post—Las Vegas, NV	ORA	120—LAS VEGAS	32—NV	PACIFIC (OAKLAND)
Resident Post—Reno, NV	ORA	170—RENO	32—NV	PACIFIC (OAKLAND)
Resident Post—Concord, NH	ORA	70—CONCORD	33—NH	NORTHEAST (NEW YORK)
Resident Post—Elizabeth, NJ	ORA	860—ELIZABETH	34—NJ	CENTRAL (PHILADELPHIA)
Resident Post—North Brunswick, NJ	ORA	2140—NORTH BRUNSWICK	34—NJ	CENTRAL (PHILADELPHIA)
District Office—New Jersey	ORA	2498—PARSIPPANY	34—NJ	CENTRAL (PHILADELPHIA)
Resident Post—Voorhees, NJ	ORA	3465—VOORHEES	34—NJ	CENTRAL (PHILADELPHIA)
Resident Post—Albuerque, NM	ORA	30—ALBUQUERQUE	35—NM	SOUTHWEST (DALLAS)
Border Station—Columbus, NM	ORA	200—COLUMBUS	35—NM	SOUTHWEST (DALLAS)
Border Station—Santa Teresa, NM	ORA	735—SANTA TERESA	35—NM	SOUTHWEST (DALLAS)
Resident Post—Albany, NY	ORA	50—ALBANY	36—NY	NORTHEAST (NEW YORK)
Border Station—Alexandria Bay, NY	ORA	90—ALEXANDRIA BAY	36—NY	NORTHEAST (NEW YORK)
Resident Post—Binghamton, NY	ORA	540—BINGHAMTON	36—NY	NORTHEAST (NEW YORK)
Import Office—Buffalo, NY	ORA	750—BUFFALO	36—NY	NORTHEAST (NEW YORK)
Resident Post—Long Island, NY	ORA	1050—CENTRAL ISLIP	36—NY	NORTHEAST (NEW YORK)
Border Station—Champlain, NY	ORA	1080—CHAMPLAIN	36—NY	NORTHEAST (NEW YORK)
Resident Post—New Windsor, NY	ORA	4130—NEW WINDSOR	36—NY	NORTHEAST (NEW YORK)
District/Region/Regional Lab—New York	ORA	4170—JAMAICA	36—NY	NORTHEAST (NEW YORK)

GEOGRAPHIC DISTRIBUTION OF FACILITIES—Continued

Building Name	Center	City	State	OP DIV Subdivision
Border Station—Ogdensburg, NY	ORA	4420—OGDENSBURG	36—NY	NORTHEAST (NEW YORK)
Resident Post—Rochester, NY	ORA	5230—ROCHESTER	36—NY	NORTHEAST (NEW YORK)
Border Station—Massena, NY	ORA	5275—ROOSEVELTOWN	36—NY	NORTHEAST (NEW YORK)
Resident Post—Syracuse, NY	ORA	6010—SYRACUSE	36—NY	NORTHEAST (NEW YORK)
Resident Post—White Plains, NY	ORA	6670—WHITE PLAINS	36—NY	NORTHEAST (NEW YORK)
Border Station—Peace Bridge	ORA	750—BUFFALO	36—NY	NORTHEAST (NEW YORK)
Border Station—Lewiston Bridge	ORA	3220—LEWISTON	36—NY	NORTHEAST (NEW YORK)
Resident Post—Arden, NC	ORA	131—ARDEN	37—NC	SOUTHEAST (ATLANTA)
Resident Post—Charlotte, NC	ORA	870—CHARLOTTE	37—NC	SOUTHEAST (ATLANTA)
Resident Post—Greensboro, NC	ORA	1940—GREENSBORO	37—NC	SOUTHEAST (ATLANTA)
Resident Post—Greenville, NC	ORA	1950—GREENVILLE	37—NC	SOUTHEAST (ATLANTA)
Resident Post—Raleigh, NC	ORA	3750—RALEIGH	37—NC	SOUTHEAST (ATLANTA)
Resident Post—Wilmington, NC	ORA	5060—WILMINGTON	37—NC	SOUTHEAST (ATLANTA)
Resident Post—Fargo, ND	ORA	1020—FARGO	38—ND	CENTRAL (CHICAGO)
Border Station—Pembina, ND	ORA	2500—PEMBINA	38—ND	CENTRAL (CHICAGO)
Resident Post—Brunswick, OH	ORA	1085—BRUNSWICK	39—OH	CENTRAL (PHILADELPHIA)
District Office/Forensic Chemistry—Cincinnati	ORA	1610—CINCINNATI	39—OH	CENTRAL (PHILADELPHIA)
Resident Post—Columbus, OH	ORA	1800—COLUMBUS	39—OH	CENTRAL (PHILADELPHIA)
Resident Post—Toledo, OH	ORA	8120—TOLEDO	39—OH	CENTRAL (PHILADELPHIA)
Resident Post—Oklahoma City, OK	ORA	3550—OKLAHOMA CITY	40—OK	SOUTHWEST (DALLAS)
Resident Post—Tulsa, OK	ORA	4780—TULSA	40—OK	SOUTHWEST (DALLAS)
Resident Post—Beaverton, OR	ORA	180—BEAVERTON	41—OR	PACIFIC (OAKLAND)
Resident Post—Portland Airport, OR	ORA	1650—PORTLAND	41—OR	PACIFIC (OAKLAND)
Resident Post—Harrisburg, PA	ORA	3500—HARRISBURG	42—PA	CENTRAL (PHILADELPHIA)
District Office/Region W/Lab—Philadelphia	ORA	6540—PHILADELPHIA	42—PA	CENTRAL (PHILADELPHIA)
Resident Post—Pittsburgh, PA	ORA	6600—PITTSBURGH	42—PA	CENTRAL (PHILADELPHIA)
Resident Post—Scranton, PA	ORA	7460—SCRANTON	42—PA	CENTRAL (PHILADELPHIA)
Resident Post—Providence, RI	ORA	57—EAST PROVIDENCE	44—RI	NORTHEAST (NEW YORK)
Resident Post—Charleston, SC	ORA	410—CHARLESTON	45—SC	SOUTHEAST (ATLANTA)
Resident Post—Columbia, SC	ORA	520—COLUMBIA	45—SC	SOUTHEAST (ATLANTA)
Resident Post—Greenville, SC	ORA	1040—GREENVILLE	45—SC	SOUTHEAST (ATLANTA)
Resident Post—Sioux Falls, SD	ORA	2450—SIOUX FALLS	46—SD	CENTRAL (CHICAGO)
Resident Post—Chattanooga, TN	ORA	400—CHATTANOOGA	47—TN	SOUTHEAST (ATLANTA)
Resident Post—Knoxville, TN	ORA	1300—KNOXVILLE	47—TN	SOUTHEAST (ATLANTA)
Resident Post—Memphis, TN	ORA	1620—MEMPHIS	47—TN	SOUTHEAST (ATLANTA)
District Office—Nashville	ORA	1760—NASHVILLE	47—TN	SOUTHEAST (ATLANTA)

Resident Post—Memphis, TN	ORA	1620—MEMPHIS	47—TN	SOUTHEAST (ATLANTA)
Resident Post—Austin, TX	ORA	330—AUSTIN	48—TX	SOUTHWEST (DALLAS)
Border Station—Brownsville, TX	ORA	940—BROWNSVILLE	48—TX	SOUTHWEST (DALLAS)
Border Station—Los Tomates/Brownsville, TX	ORA	940—BROWNSVILLE	48—TX	SOUTHWEST (DALLAS)
Border Station—Los Tomates, TX	ORA	940—BROWNSVILLE	48—TX	SOUTHWEST (DALLAS)
District/Sw Imports—Dallas	ORA	1730—DALLAS	48—TX	SOUTHWEST (DALLAS)
Regional Office—Dallas, TX	ORA	1730—DALLAS	48—TX	SOUTHWEST (DALLAS)
Resident Post—DFW Airport, TX (Grapevine)	ORA	1730—DALLAS	48—TX	SOUTHWEST (DALLAS)
Border Station—Del Rio, TX	ORA	1820—DEL RIO	48—TX	SOUTHWEST (DALLAS)
Border Station—Eagle Pass, TX	ORA	2030—EAGLE PASS	48—TX	SOUTHWEST (DALLAS)
Border Station—Bota, TX (El Paso)	ORA	2190—EL PASO	48—TX	SOUTHWEST (DALLAS)
Resident Post—El Paso, TX	ORA	2190—EL PASO	48—TX	SOUTHWEST (DALLAS)
Border Station—El Paso, TX	ORA	2190—EL PASO	48—TX	SOUTHWEST (DALLAS)
Border Station—El Paso, TX	ORA	2190—EL PASO	48—TX	SOUTHWEST (DALLAS)
Border Station—Ysletta, TX	ORA	2190—EL PASO	48—TX	SOUTHWEST (DALLAS)
Resident Post—Fort Worth, TX	ORA	2450—FORT WORTH	48—TX	SOUTHWEST (DALLAS)
Resident Post—Houston, TX	ORA	3280—HOUSTON	48—TX	SOUTHWEST (DALLAS)
Border Station—USBS Columbia Import Dock, Laredo, TX	ORA	3899—LAREDO	48—TX	SOUTHWEST (DALLAS)
Border Station—USBS J&L Bldg. 2 Admin	ORA	3899—LAREDO	48—TX	SOUTHWEST (DALLAS)
Border Station—Laredo World Trade Bridge, TX	ORA	3899—LAREDO	48—TX	SOUTHWEST (DALLAS)
Border Station—Pharr, TX	ORA	5330—PHARR	48—TX	SOUTHWEST (DALLAS)
Border Station—Pharr, TX	ORA	5330—PHARR	48—TX	SOUTHWEST (DALLAS)
Border Station—Rio Grande City, TX	ORA	5780—RIO GRANDE CITY	48—TX	SOUTHWEST (DALLAS)
Resident Post—San Antonio, TX	ORA	6090—SAN ANTONIO	48—TX	SOUTHWEST (DALLAS)
Resident Post—Salt Lake City, UT	ORA	1700—SALT LAKE CITY	49—UT	SOUTHWEST (DALLAS)
Border Station—Highgate Springs, VT	ORA	245—HIGHGATE SPRINGS	50—VT	NORTHEAST (NEW YORK)
Resident Post—Falls Church, VA	ORA	930—FALLS CHURCH	51—VA	CENTRAL (PHILADELPHIA)
Resident Post—Norfolk, VA—Import	ORA	1760—NORFOLK	51—VA	CENTRAL (PHILADELPHIA)
Resident Post—Norfolk, VA—Import	ORA	1760—NORFOLK	51—VA	CENTRAL (PHILADELPHIA)
Resident Post—Richmond, VA	ORA	2060—RICHMOND	51—VA	CENTRAL (PHILADELPHIA)
Resident Post—Roanoke VA	ORA	2100—ROANOKE	51—VA	CENTRAL (PHILADELPHIA)
Prior Notice Center	ORA	2034—RESTON	51—VA	HEADQUARTERS
Border Station—Blaine, WA	ORA	150—BLAINE	53—WA	PACIFIC (OAKLAND)
District Office/Regional Lab—Seattle	ORA	170—BOTHELL	53—WA	PACIFIC (OAKLAND)
Resident Post—Oroville, WA	ORA	1610—OROVILLE	53—WA	PACIFIC (OAKLAND)
Resident Post—Seattle, WA	ORA	1960—SEATTLE	53—WA	PACIFIC (OAKLAND)
Resident Post—Spokane Valley, WA	ORA	2110—SPOKANE VALLEY	53—WA	PACIFIC (OAKLAND)
Resident Post—Tacoma, WA	ORA	2230—TACOMA	53—WA	PACIFIC (OAKLAND)
Resident Post—Morgantown, WV	ORA	1840—MORGANTOWN	54—WV	CENTRAL (PHILADELPHIA)
Resident Post—Green Bay, WI	ORA	2000—GREEN BAY	55—WI	CENTRAL (CHICAGO)

GEOGRAPHIC DISTRIBUTION OF FACILITIES—Continued

Building Name	Center	City	State	OP DIV Subdivision
Resident Post—Madison, WI	ORA	2780—MADISON	55—WI	CENTRAL (CHICAGO)
Resident Post—Wauwatosa, WI	ORA	5130—WAUWATOSA	55—WI	CENTRAL (CHICAGO)
Resident Post—Aguada, PR	ORA	20—AGUADA	RQ—PR	SOUTHEAST (ATLANTA)
Resident Post—Ponce, PR	ORA	760—PONCE	RQ—PR	SOUTHEAST (ATLANTA)
San Juan—New Administration Building	ORA	930—SAN JUAN	RQ—PR	SOUTHEAST (ATLANTA)
Resident Post—St. Thomas, VI	ORA	900—ST. THOMAS	VQ—VI	SOUTHEAST (ATLANTA)
Parklawn Building—Rockville, Maryland	ORA	5600—Rockville	MD	24—MD HEADQUARTERS

Question. Who inspects FDA regulated products if no FDA inspector is present at a port where products are being imported?

Answer. FDA has commissioned approximately 9,900 Customs and Border Protection, also known as CBP, employees to inspect food shipments that require prior notice data submission under the provisions of the Bioterrorism Act if FDA is not present to do so. However, regarding the admissibility of all FDA regulated commodities, much of FDA's work in screening and inspecting import shipments occurs at locations other than ports of entry.

Entry data for shipments of FDA-regulated products are transmitted electronically by CBP to FDA. FDA screens each entry line electronically against certain criteria for admissibility. Many of the shipments of FDA-regulated products are designated by the electronic screening system for admissibility review by FDA employees.

Entry reviewers often request additional documentation from the importers to determine if a product should be allowed entry or should be set up for examination. The reviewers allocate inspectional resources to best cover products that appear to pose the highest risk. The remaining products are allowed to proceed without examination.

With the exception of truck ports, most entry reviewers are located in district offices and resident posts, not at the port of entry. They may review entries for a dozen or more ports. The entry reviewers issue assignments to investigators requesting a field examination and/or sampling to be conducted on specific import entries.

If the shipment arrives when FDA is not present, unless specifically instructed to hold the shipment at the port for FDA's examination, CBP will issue a conditional release of the cargo and allow it to move to its destination. Such movement is done under bond and is permitted under Section 801(b) of the Food, Drug, and Cosmetic Act. If FDA decides to physically examine these goods, the work will be performed at the destination of the goods.

Question. If non-FDA inspectors are conducting inspections, what and how much training have they been given to inspect food?

Answer. By the phrase non-FDA inspectors, we assume that you are referring to inspections conducted by State personnel under contract with FDA. State personnel that conduct these inspections attend ORA sponsored inspection training courses with ORA personnel and receive the same training courses as ORA investigators. State personnel also receive on-the-job training by FDA. For example, State personnel join FDA investigators on FDA inspections as observers. To conduct inspections on behalf of FDA, State personnel attend the same training courses, participate in joint training inspections, and then perform an inspection in which they are audited by FDA. After State inspectors pass the initial field audit, they are re-audited over a 3-year cycle. In addition, State personnel have access to online training courses developed by ORA-University. These courses serve as classroom courses and continuing education.

FDA is also implementing the Manufactured Food Regulatory Program Standards under which the State will assess its program against a set of uniform standards. The uniform standards are the key elements of a State program, such as regulatory foundation, staff training, risk based inspections, quality assurance, foodborne illness/defense preparedness and rapid response, compliance and enforcement, education and outreach, resource management, and laboratory resources.

In addition to receiving FDA provided training, the State inspectors must also meet their individual State requirements to conduct food inspections.

Question. According to the Congressional Research Service, the FDA inspects only about 1 percent of all FDA regulated imports. Does this 1 percent include both paper and physical inspections? If not, how much of FDA regulated imports get physical inspections?

Answer. As displayed in the fiscal year 2009 Congressional Justification, or CJ, import physical exams are the total of import field exams and import laboratory sample analyses. A field examination is a visual examination of the product to determine whether the product complies with FDA requirements. It involves actual physical examination of the product for admissibility factors such as storage or in transit damage, inadequate refrigeration, rodent or insect activity, lead in dinnerware, odor and label compliance. A field exam cannot be used to test for microbiological or chemical contamination. As a result, FDA also conducts sampling and analysis to test for such contamination. Based on the fiscal year 2009 CJ, 0.82 percent of imports will be physically examined in fiscal year 2009.

In addition, FDA electronically screens all FDA-regulated products offered for import into the United States. FDA also electronically screens 100 percent of human

food and animal feed import prior notice submissions and, as targeted, based on risk, performs intensive manual reviews on a subset of those prior notices.

FDA will continue to focus resources on products that pose the highest potential bioterrorism risks to the United States. The benefit of physical exams comes from the quality and targeting of review activities, not from the volume of imports analyzed. The quality of import screening is a better measure of FDA's import strategy than simply focusing on the items physically examined.

Prior Notice Security Reviews are only performed on human food and animal feed imported products and are performed as a requirement of the Bioterrorism Act which requires human food and animal feed importers to give FDA "prior notice" of their imported product being offered for entry into the U.S. Prior Notice Security Reviews are performed by Prior Notice Center Reviewers using electronic databases, law enforcement data and other information sources to determine whether or not the shipment poses a significant security risk to the United States food supply. A significant difference between a field exam and the Prior Notice Security Review is that the Prior Notice Security Review is conducted on food and animal feed products "only" while a field exam is conducted on all FDA regulated products. Field exams are physical examinations of an imported product while Prior Notice Security Reviews use electronic data bases to assess security threats.

Question. What is the budget in FDA for food safety oversight and how is that broken down between the budget spent on domestic and imported food safety oversight and inspection?

Answer. Rather than trying to inspect all imports, FDA recommends targeted risk-based inspections to focus resources where they are most needed and will provide the greatest benefit to American consumers. ORA resources for food safety oversight in the fiscal year 2009 Congressional Justification include $358.1 million in the Field Foods program and $37 million in the Field Animal Drugs and Feeds program. These figures represent ORA's food protection resources for both human and animal food. In the Field Foods program, approximately 45 percent of these resources are allocated to domestic food safety oversight and inspection. The remaining 55 percent are allocated to import and foreign food safety oversight and inspection. In the Field Animal Drugs and Feeds program, approximately 78 percent of these resources are allocated to domestic food safety oversight and inspection. The remaining 22 percent of these resources are allocated to import and foreign food safety oversight and inspection.

Question. How many inspectors are needed to handle the volume of foods being imported? What would that cost?

Answer. The fiscal year 2009 Congressional Justification estimates that ORA will physically examine approximately 1.26 percent of food imports. The physical exam percentage is a combination of import field exams and import laboratory samples analyzed. In fiscal year 2009, ORA estimates allocating approximately 305 FTE and $50 million to perform the import food field exams and collect food import samples for analyses. This estimate does not include laboratory resources to analyze the import samples. Also, this figure does not include resources to electronically review the imported products that are not physically examined, as well as resources for the Prior Notice Center. Finally, these numbers do not include Center or Agency overhead costs.

Funding increases requested in the fiscal year 2009 CJ will allow ORA to perform an additional 20,000 import food field exams, as well as 50 additional foreign food inspections, and an additional 75 food import lab sample analyses.

Question. How many inspectors are needed by product line to handle the volume of all FDA regulated imports?

Answer. Rather than trying to inspect all imports, FDA recommends targeted risk-based inspections to focus resources where they are most needed and will provide the greatest benefit to American consumers. Because FDA recommends a targeted risk-based approach to inspections rather than inspecting 100 percent of FDA-regulated products, we have not estimated the cost of inspecting all imported foods. The fiscal year 2009 Congressional Justification (CJ) estimates that ORA will physically examine approximately 0.82 percent of all FDA-regulated imported products. This includes foods, cosmetics, human drugs, biologics, animal drugs and feeds, and medical device and radiological health imported products. The physical exam percentage is a combination of import field exams and import laboratory samples analyzed. In fiscal year 2009, ORA estimates allocating approximately 351 FTE and $57.5 million to perform the import field exams and collect import samples for analyses across all field program areas. This estimate does not include laboratory resources to analyze the import samples. Also, this figure does not include resources to electronically review the imported products that are not physically examined, as

well as resources for the Prior Notice Center. Finally, these numbers do not include Center or Agency overhead costs.

Question. What level of funding is needed to handle all the volume of FDA regulated imports?

Answer. Rather than trying to inspect all imports, FDA recommends targeted risk-based inspections to focus resources where they are most needed and will provide the greatest benefit to American consumers. Because FDA recommends a targeted risk-based approach to inspections rather than inspecting 100 percent of FDA-regulated products, we have not estimated the cost of inspecting all FDA-regulated imports. The fiscal year 2009 Congressional Justification estimates that ORA will physically examine approximately 0.82 percent of all FDA-regulated imported products. This includes foods, cosmetics, human drugs, biologics, animal drugs and feeds, and medical device and radiological health imported products. The physical exam percentage is a combination of import field exams and import laboratory samples analyzed. In fiscal year 2009, ORA estimates allocating approximately 351 FTE and $57.5 million to perform the import field exams and collect import samples for analyses across all field program areas. This estimate does not include laboratory resources to analyze the import samples. Also, this figure does not include resources to electronically review the imported products that are not physically examined, as well as resources for the Prior Notice Center. Finally, these numbers do not include Center or Agency overhead costs.

Funding increases requested for fiscal year 2009 in the Field Drugs Program will increase the Office of Criminal Investigations capacity to investigate criminal import violations. Funding increases requested in the Field Device Program will be directed towards the improvement of strategic information-sharing between FDA and regulatory partners, such as U.S. Customs and Border Protection. This activity directly supports intervention recommendations made by the Interagency Working Group on Import Safety in the Import Safety Action Plan.

Question. What level of funding is needed to handle all other FDA regulated activities outside of imports?

Answer. Rather than trying to inspect all imports, FDA recommends targeted risk-based inspections to focus resources where they are most needed and will provide the greatest benefit to American consumers. Because FDA recommends a targeted risk-based approach to inspections rather than inspecting 100 percent of FDA-regulated products, we have not estimated the cost of inspecting FDA-regulated products that are not imported. With the requested funding in the fiscal year 2009 Congressional Justification, the Office of Regulatory Affairs estimates that it will allocate $200.7 million and 1,224 FTE for FDA domestic inspections in fiscal year 2009 and award $15.7 million to the States for State contract inspections. These resources will allow ORA to inspect approximately 24 percent of the domestic inventory for which the Field has a recurring inspectional obligation. The domestic inventory estimate includes firms in all five field program areas: Foods, Human Drugs, Biologics, Animal Drugs and Feeds, and Devices and Radiological Health. The inventory estimate includes firm types such as manufacturers, repackers, relabelers, warehouses, blood banks, and bioresearch monitoring facilities. This estimate does not include mammography facilities because all mammography facilities are inspected annually using user fee funds. Finally, these funding estimates do not include Center or Agency overhead costs.

Question. Why does the OASIS database not accurately track volume or make it easily to ascertain the volume of goods coming from a given country?

Answer. There are three primary ways to measure the amounts of imported goods: declared value, quantity, as measured by weight, volume, or piece count, and count of entry lines. None of these measures is ideal. Importers are not required to provide FDA with either the value or the quantity of goods in an entry line, and often they do not. When quantity data are provided, entry filers sometimes make significant errors. Those errors can badly distort aggregate data. Entry lines can be counted precisely, but the value and quantity of the goods in any given line can vary enormously.

FDA uses the count of entry lines as the best available option. For the reasons given above, aggregation of data on declared value or quantity is not feasible.

Question. To protect the public from food borne illness from both domestic and imported products, what is the FDA doing to change the way it does business?

Answer. In November 2007, FDA released the Food Protection Plan, also known as the FPP, to address both food safety and food defense for domestic and imported products. The plan is integrated with the Administration's Import Safety Action Plan. The FPP is an integrated strategy that focuses on risks over a product's life cycle from production to consumption. The FPP targets resources to achieve max-

imum risk reduction and address both unintentional and deliberate contamination. The FPP relies on science and modern technology systems.

FDA was granted direct hire authority in April 2008 and will hire 161 new FTEs to work in food safety. The Office of Regulatory Affairs has completed a 3-year plan to increase State inspections and will hire 77 new FTEs with the fiscal year 2008 appropriation and an additional 53 new FTE with funds from the Consolidated Appropriations Act, 2008, which will be available on July 1, 2008 to conduct food field exams, inspections, and sample collections. The Center for Food Safety and Applied Nutrition will hire one new FTE with the fiscal year 2008 appropriation and will hire an additional 28 new FTEs with the funds from the Consolidated Appropriations Act, 2008, which will be available on July 1, 2008 to assist with food safety work aimed at protecting the Nation's imported and domestic food supply from both unintentional and deliberate contamination. The Office of Crisis Management will hire two new FTEs with the fiscal year 2008 appropriation to assist FDA in quickly responding to food safety threats. In addition, FDA is focusing on the interface between food protection and the agricultural production of commodities. FDA officials have also met with the National Academy of Science and discussed a statement of work for a comprehensive study of the gaps in public health protection provided by the United State's food safety system.

BREAST IMPLANTS

Question. The Food and Drug Administration approved silicone gel breast implants, manufactured by Mentor, in November 2006. This approval came with rigorous post approval conditions, including mandatory enrollment in longitudinal studies.

Following the approval of silicone gel breast implants manufactured by Allegan, the FDA made this enrollment in longitudinal studies optional.

What is the reason for this change? What specific data was presented to justify this change?

Answer. In November 2006, both Allergan and Mentor Corporation received FDA approval to market their silicone gel-filled breast implants in the United States, subject to requirements to conduct post approval studies, also known as PAS, to answer particular questions. FDA allowed the companies the opportunity to develop different study designs and other protocol elements to meet this requirement. The goals were to design studies that would minimize bias in the study results and in which the subject enrollment goals could be achieved. The participation could be voluntary or mandatory. The companies proposed the specific study designs to answer those questions and submitted them for FDA approval. Allergan proposed, and FDA approved, a study with voluntary participation, while Mentor originally proposed, and FDA approved, a study where participation was mandatory in order for women to obtain the Mentor product.

In April 2007 FDA approved Mentor's request to amend the MemoryGel™ Large Post-Approval Study protocol to allow for voluntary instead of mandatory participation of study subjects. Mentor's request reported that the company received many complaints from Institutional Review Boards—IRBs, hospitals, and other institutions, questioning the appropriateness of requiring patients to become subjects in a PAS in order to receive an approved device. Mentor indicated that mandatory PAS participation might not be consistent with standard PAS practice, and that several complainants indicated that in keeping with good clinical practice, patient participation should be voluntary. The concerns had also made it difficult for Mentor to obtain the IRB approval required to commence the study at a number of sites, slowing overall progress of the study.

Based on FDA's assessment of the supplement and principles of good study design, FDA approved the amendment to the MemoryGel™ Large Post-Approval Study protocol which changed the enrollment type from mandatory to voluntary and thus allows women access to this approved device without requiring participation in a research study. The change increases participation of women who meet the PAS inclusion criteria by eliminating barriers to IRB approval and patient enrollment.

The key points underlying FDA's decision are as follows. First, there is no scientific rationale for requiring mandatory subject participation. Mandatory and voluntary subject participation were acceptable alternative approaches to design the PAS. Second, participation in the post-approval study for Allergan's comparable silicone gel-filled breast implants is voluntary. Third, Mentor's request to allow voluntary participation of women who receive the MemoryGel™ implant is acceptable as an alternative study design and is justified to allow women access to this approved device without requiring participation in a research study and to potentially increase participation of women who meet the PAS inclusion criteria. Fourth, IRB

participation and support is critical for the success of the Post-Approval Studies Program. In the silicone breast implant studies, the role of IRBs is even more important because the studies are long-term and involve tens of thousands of subjects.

Question. How many patients are currently enrolled in longitudinal studies of silicone gel breast implants made by Allegan and Mentor? What percentage of women who have received implants since the November 2006 approval are enrolled in these studies?

Answer. FDA believes this information about enrollment in ongoing studies is confidential commercial information protected from public disclosure by statute and regulation. It cannot be disclosed for the record absent permission from the companies. We apologize for any inconvenience this may cause. FDA does not have information regarding the percentage of women who have received implants since the November 2006 approval that are enrolled in these studies.

Question. What other changes have been made to the post approval study requirements?

Answer. In May 2007, FDA approved a protocol change for the Large Post-Approval Study, requested by Mentor, that allows the company to enroll Canadian patients who receive the MemoryGel silicone breast implant in addition to the U.S. study participants. The November 17, 2006, approval order states that Mentor will enroll in this study. Mentor requested this protocol change to meet Health Canada's post-approval conditions for the MemoryGel Silicone gel-filled Breast Implant. Mentor will use the FDA MemoryGel PAS protocol for the Canadian MemoryGel participants. The sponsor plans to perform the analysis twice, once on all study participants and a second time based only on U.S. study participants.

Question. Are Mentor and Allergan currently in full compliance with the post approval requirements?

Answer. The status of Allergan's and Mentor's postmarket studies of silicone breast implants and conditions is summarized in a table that I am pleased to provide for the record. Both Mentor Corporation and Allergan started enrolling patients in February 2007 as required by their respective approval orders and both firms have complied with the reporting requirements. The table below identifies the status of individual approval conditions that Allergan and Mentor must meet.

[The information follows:]

STATUS OF ALLERGAN'S AND MENTOR CORPORATION'S SILICONE GEL-FILLED BREAST IMPLANT POSTMARKET STUDIES AND CONDITIONS

Approval Condition	Allergan	Mentor
Core Post-Approval Study	Reporting status: On time [2]	Reporting status: On time 2
	Study Status: On time [3]	Study Status: On time [3]
Large Post-Approval Study	Reporting status: On time [1]	Reporting status: On time [1]
	Study Status: Overdue [3] (12-month patient enrollment target was not met).	Study Status: On time [3]
Device Failure Studies	Reporting status: On time [2]	Reporting status: On time [2]
	Study Status: On time [3]	Study Status: On time [3]
Focus Group Study	Reporting status: On time [2]	Reporting status: On time [2]
	Study Status: On time [3]	Study Status: On time [3]
Informed Decision Process	Reporting status: On time [2]	Reporting status: On time [2]
	Study Status: On time [3]	Study Status: On time [3]
Adjunct Study	Reporting status: On time [2]	Reporting status: On time [2]
	Study Status: On time [3]	Study Status: On time [3]

[1] Reporting status for Larger Post-Approval Study is ''On time'' if 15-month report was received by the February 16, 2008 due date.

[2] Reporting status is ''on time'' if 12-month report for a post-approval study other than the Larger Post-Approval Study was received by November 17, 2007 due date.

[3] Study progress status for a post-approval study condition is ''On time'' if patient enrollment and follow-up targets have been met and ''Overdue'' if the interim enrollment target was not met.

Question. Based on the post approval data already reported by Mentor and Allergan, what findings has the FDA made regarding the safety of silicone gel breast implants?

Answer. FDA's review of the 12-month reports submitted by Allergan and Mentor for the six conditions of approval indicates that the results regarding the safety of the silicone gel breast implants presented in these reports are consistent with the data available at the time of approval. The studies are continuing to allow FDA to evaluate long-term device safety.

Question. Does the FDA have the necessary resources to enforce these post-approval requirements?

Answer. In 2005, CDRH transferred the responsibility for post-approval study oversight from the premarket staff of the Office of Device Evaluation and the Office of In Vitro Diagnostics to the postmarket staff of the Office of Surveillance and Biometrics, also known as OSB.

The fiscal year 2003–2005 cohort approval commitments for the silicone breast implants focuses on three areas: ensuring the timeliness of the study execution, ensuring that the FDA-approved protocols are properly implemented, and making sure that the studies are progressing well and provide meaningful results that can guide regulatory actions.

OSB has two project managers who are fully dedicated to overseeing manufacturer compliance with post-approval study commitments. They enable OSB to acknowledge receipt of study reports, monitor compliance with reporting requirements, and contact the manufacturer when the reports are not received as scheduled.

In 2006, OSB instituted an automated tracking system to monitor PAS study commitments. The project managers use this tracking system to make sure manufacturers send PAS study progress reports on time and that we review these reports in a timely manner.

Two OSB epidemiologists serve as the lead reviewers for post-approval commitments and review the study reports to make sure the studies are progressing well. A multi-disciplinary post market team of scientists is available as consultants to the epidemiologists.

The FDA Post-Approval Studies Website went live in April 2007. The site documents the status of PAS studies for the two implants. A user can search for information by the device name or manufacturer and view a description of the study, the reporting schedule, and status of the studies—such as whether the study is On Time or Overdue. The site is maintained by the project managers for Post-Approval Studies and updated once a month. I would be happy to provide the website address.

[The information follows:]

http://www.accessdata.fda.gov/scripts/cdrh/cfdocs/cfPMA/pma__pas.cfm.

QUESTIONS SUBMITTED BY SENATOR ROBERT F. BENNETT

HEPARIN AND DRUG FACILITY INSPECTIONS

Question. Dr. von Eschenbach, the recent recall of the blood thinning drug Heparin has opened our eyes to some possible gaps in the agency's inspection processes. The recall has been particularly troubling because FDA has tied 62 deaths directly to the use of contaminated Heparin. The Chinese company that prepared the contaminated ingredient should have been inspected by FDA before product approval, but it was not. FDA stated that the agency thought the company had been inspected, but realized after the recall started that it had not received the required pre-approval inspection. The reason the company was not inspected is because the company's name is similar to another facility in China that had passed FDA inspection. FDA admits that the agency confused the names of the facilities on the drug application.

Can you help me understand how something like this could happen? I understand that manufacturers of active drug ingredients must be inspected prior to drug approval, how does FDA miss one?

Answer. Under section 505 of the Federal Food, Drug, and Cosmetic Act, prior to approval of a new drug application, abbreviated new drug application, or certain manufacturing supplements, FDA determines that the methods used in, and the facilities and controls used for, the manufacture, processing, and packing of the applicant's drug are adequate to preserve the drug's identity, strength, quality, and purity. Our policy has been, and continues to be that we approve drugs after verifying that this standard is met based upon a recent inspection of the manufacturing facility or facilities named in the application. If we have a recent, satisfactory inspection on record for a given facility named in the application, we generally will not conduct a new pre-approval inspection of that facility prior to approving the application. However, even if there is a recent inspection, we will inspect again if we determine that the circumstances warrant it.

In this situation, FDA learned in January 2008 that Baxter received FDA approval to use the active pharmaceutical ingredient (API) manufacturer, Changzhou SPL in Changzhou, China, although FDA did not conduct a pre-approval inspection of the plant. The plant subsequently shipped product to Baxter. As FDA has acknowledged, FDA's failure to inspect the plant was the result of human error. FDA

staff entering data into a database confused the name of the Changzhou plant with another plant that had a similar name and had been previously inspected.

Question. What are you doing to make sure this doesn't happen again?

Answer. Process improvements in CDER are already underway that will prevent future data entry errors like this. These improvements include additional training for those who perform data entry on which inspection assignments hinge, hiring new staff dedicated to this data entry, and putting procedures in place that will provide FDA with the necessary data from drug manufacturers in a user-friendly way. In addition, efforts are underway to centralize all FDA's Information Technology, or IT, systems to meet the challenges of the FDA in the 21st century. Coupled with resource planning and development activities, FDA's Office of Information Management has undertaken detailed succession planning to ensure that the IT organization that FDA is building for the 21st century remains reliable in support of FDA's mission and is sufficiently flexible to accommodate the science and technology advances of the future.

Question. In media calls, the agency stated that the mix-up occurred because the company in question has a name similar to another Chinese company that had previously passed FDA inspection. From what I've heard, it appears that manufacturers of active drug ingredients are identified by name and not by some standardized system, for instance, numerically. Why? Do you think they should be identified using a standardized system?

Answer. A unique numerical identifier for each registered facility can be helpful for assuring FDA that the firm is the same entity of record in FDA databases, that the physical location of the facility is valid, and that the firm is still engaged in FDA-regulated business. Unique identifiers already in use at FDA, such as the Firm Establishment Indicator number, or FEI, could be used for these validation purposes. However, the FEI falls short of providing high-quality validation because it is not implemented with a rigorous validation protocol. For example, inter-agency computer applications can lead to the creation of new FEIs during importations when information is conflicting or missing. Having a unique identifier is useful only if the software and policy procedures use it for rigorous validation.

Although FDA has an ongoing effort to strengthen its own identity validation software, there are benefits of partnering with third party organizations that are in the business of uniquely identifying and collecting business information on companies. First, the commercial firms succeed by maintaining high-quality firm identifiers (including address) and business information. When a firm terminates business, the identifier is no longer valid. Second, the third party business databases offer rapid validation tools electronically. Finally, the third party databases provide business relationships not routinely visible to FDA that are often an aid during supply chain and other investigations.

FDA INTERNATIONAL OFFICES

Question. Currently, close to 15 percent of the food consumed in the United States is imported and the percentage is rising every year. In addition, the volume of prescription drugs imported into the United States is expected to increase by 12 percent during fiscal year 2009. It is clear that the global marketplace is having a significant impact on the products regulated by FDA. And, FDA currently does not have any staff located abroad.

In the fiscal year 2009 budget, FDA States that it will establish an office in China to better protect consumers from unsafe products. In addition, the fiscal year 2008 appropriations bill provided funding to increase domestic and import food inspectors, including international inspectors. I understand you've been working with the Chinese government to have employees stationed there.

What is the status of these discussions? When do you believe the first FDA employees will be stationed in China? And, how many employees do you expect will be stationed there?

Answer. The discussions with the Chinese Government concerning stationing FDA employees there are being handled by the U.S. Embassy. However, Secretary Leavitt and I have had discussions with their Chinese counterparts, who have signaled support. At this point, we are waiting for the Ministry of Foreign Affairs to endorse the proposal.

FDA has received approval from the Department of State to station eight employees in China. FDA expects that it will station the first FDA employee, the Country Director for the FDA Office, in Beijing by the end of calendar year 2008. FDA also plans to make additional hires for China offices during 2009.

Question. You have mentioned in public statements that China is not the only country FDA would like to place employees. In what other countries are you looking to locate employees, and have you begun negotiations with those countries?

Answer. FDA has agreements in place and we are making final arrangements for offices in China. FDA has conducted general discussions about FDA foreign offices with India and Jordan.

OVERALL FDA FUNDING

Question. Many people have said that FDA needs more money, including FDA's own Science Board. Specifically, the Science Board said that "FDA can no longer fulfill its mission without substantial and sustained additional appropriations." The Science Board suggested that an increase of $375 million in fiscal year 2009 is necessary to help FDA fulfill its mission.

Dr. von Eschenbach, you appear to agree with the notion that FDA needs more money. In an interview with the Wall Street Journal earlier this year, you said "to do what [FDA] needs to do requires substantially more dollars than what has been invested in the FDA thus far." You also go on to state you wanted more out of the budget process this year than what finally ended up in the budget request.

While $375 million in 1 year may be more than we can come up with, this subcommittee is determined to help FDA in any way it can.

What do you think of the Science Board's assessment?

Answer. On December 3, 2007, the FDA Science Board accepted the report of its subcommittee entitled, "FDA Science and Mission at Risk." The subcommittee report reveals a number of areas that recommend increased investment. FDA takes this report seriously. The need to improve science at FDA is not in question. Nor is there any question that we must make a significant investment in improving the science.

FDA is keenly aware that we must develop comprehensive solutions to face an ever-changing scientific and technological landscape. We look forward to working with Congress and other stakeholders to strengthen the scientific base at FDA and ensure that in the next 100 years, FDA retains its reputation and preeminence as the gold standard through the use of cutting edge science and technology.

Question. Does FDA need more money than is requested in the President's budget?

Answer. FDA's fiscal year 2009 budget request of an additional $50.7 million in budget authority and $78.9 million in user fees for programs to protect America's food supply and for medical product safety and development reflects the competing priorities the President and the President's advisors must consider as budget submissions to the Congress are developed. In light of these competing priorities, FDA's fiscal year 2009 budget request is the amount designated to allow FDA to achieve its public health priorities.

Question. How much would you suggest is necessary in fiscal year 2009 to help FDA meet its demands and which program areas would benefit most from additional resources?

Answer. The following document is an assessment of immediate resource needs based on a professional judgment analysis, without regard to the competing priorities that the agency, the President, and the President's advisors must consider as budget submissions to the Congress are developed. As the response indicates, the amounts identified are in addition to amounts appropriated to FDA in fiscal year 2008.

[The information is attached.]

FDA FISCAL YEAR 2009 PROFESSIONAL JUDGMENT ESTIMATE

[Dollars in millions]

	Fiscal year 2009	FTE
Food Protection	$125	259
Safer Drugs, Devices, and Biologics	100	160
Modernizing FDA Science and Workforce	50	71
Total	275	490

The amounts identified in this document support three strategic investment areas—protecting our food supply, assuring safer drugs, devices, and biologics, and modernizing the essential infrastructure of FDA's science and workforce. The amounts are in addition to amounts appropriated to FDA in fiscal year 2008. Invest-

ing in these three strategic areas will permit FDA to rapidly achieve important public health goals that cut across strategic components of the Agency.

This document responds to the request for the FDA's professional judgment concerning resource needs. The document and was developed without regard to the competing priorities that the President and his advisors must consider as budget submissions to the Congress are developed.

FDA FISCAL YEAR 2009 BUDGET AMENDMENT: FOOD PROTECTION PLAN (+$125 MILLION)

Core Elements and Strategic Activities	FPP Output	Amount	FTE
Prevention:			
1.1 Promote Increased Corporate Responsibility to Prevent Foodborne Illnesses: FDA will ensure the safety of imports by increasing FDA's presence beyond our borders and building capacity with foreign partners.	Increase FDA presence beyond our borders, including increased training for food safety best practices abroad. Offices in four additional countries with 7/8 FDA FTE and 4/5 foreign nationals per country/region. Yields FDA presence in five countries or regions of the world.	$16,000,000	24
	Increase technical assistance on food standards in at least 3 of the countries accounting for the major share of imports.	5,000,000	2
	Develop systems and tools for an international information exchange database related to inspections and quality.	5,000,000	3
1.2 Identify Food Vulnerabilities and Assess Risks: FDA will conduct risk-based prevention to better protect America's food supply. FDA will better understand food safety and food defense risks and use this understanding to define the optimum preventive controls to establish.	Increase capacity to collect & interpret data for risk-based prevention for products of greatest concern.	5,000,000	10
	Research and develop risk-based prevention strategies based on scientific data and protocols.	7,000,000	20
1.3 Expand Understanding and Use of Effective Mitigation Measures: FDA will develop and validate rapid detection tools to quickly detect and mitigate a potential problem.	Develop and validate rapid detection technologies and assays (see 2.3 for deploying technologies and assays); For high risk foods, commence work to develop two new priority tools and to validate two test methods for toxic chemicals or microbes developed by industry.	5,000,000	10
Sub-Total		43,000,000	69
Intervention:			
2.1 Inspections and Sampling Based on Risk: FDA will apply risk analysis to set priorities for food inspections and interventions.	20,000 more import food exams at the port of entry [1] ($300 each)	6,000,000	36
	800 more foreign food production and/or processing facility inspections and support for foreign inspections [1] (uc=$16.7K).	13,500,000	50
	800 more domestic food safety inspections [1] (uc=$8k)	6,500,000	33
2.2 Enhance Risk-Based Surveillance of Imported Foods at the Border: FDA will design and build risk-based algorithms to conduct inspections and detect food risks. Understanding the risks defines the number and types of inspections and tests needed to ensure that preventive controls are working.	Integrate and assimilate risk-based information into data systems	10,000,000	15
2.3 Better Detect Food System Signals that Indicate Contamination: FDA will deploy rapid detection technologies and assays and build laboratory infrastructure for faster testing. FDA will deploy state-of-the-art technology to improve the integration of incoming signals and achieve faster mitigation and response.	Improve signal detection of intentional and unintentional chemical and microbial contamination.	5,000,000	5
	Deploy 1–2 rapid detection assays to test high risk foods. Acquire advanced technology and deploy such equipment to FDA field and conduct technology transfer to industry.	5,000,000	5
	Build high throughput rapid detection technology into laboratory infrastructure	11,000,000	10

Sub-Total		57,000,000	154
Response:			
3.1 Improve Immediate Answer. FDA will enable real-time communication of lab results. FDA will develop protocols to facilitate tracebacks of foodborne illnesses. FDA will rapidly detect and respond foodborne outbreaks.	Develop and implement a system for traceback from product consumption back to the source of production using, for example, electronic pedigrees and industry applied technologies of bar coding and radio frequency identification.	10,000,000	20
	Enhance interoperable information technology networking system between FDA and Federal, State, and local testing labs.	10,000,000	6
3.2 Improve Risk Communications to the Public, Industry, and Other Stakeholders: FDA will enhance risk communication though aggressive, targeted food safety campaigns that disseminate clear and effective messages with regular updates through a variety of media to all target audiences.	Create a health hazards alert communication system using multiple media outlets to quickly inform a broad cross section of the public.	5,000,000	10
Sub-Total		25,000,000	36
GRAND TOTAL, Food Protection Plan		125,000,000	259

[1] FDA will hire and train additional field inspectors throughout fiscal year 2009. As a result, by fiscal year 2010, the proposed investment will allow FDA to increase its inspection and surveillance capacity by the number of inspections identified in this FPP output

FDA FISCAL YEAR 2009 BUDGET AMENDMENT: ENSURING SAFE AND EFFECTIVE MEDICAL PRODUCTS (+$100 MILLION)

Strategic Activity	Output	Amount	FTE
Safer Drugs, Devices, and Biologics:			
1.1 Science to Improve Medical Product Safety and Development: Use new science and analysis to improve the safety of medical products. In some cases, new science creates opportunities to leverage advances from one product area to promote safety in a different area.	Establish a unique device identification system to track devices, facilitate recalls, and support inventory management during disasters and terrorism response.	$7,500,000	17
	Implement FDAAA safety requirements related to pediatric drugs and devices, postmarket study commitments, clinical trials, active drug surveillance, labeling and safe use of drugs.	14,000,000	10
Sub-Total		21,500,000	27
1.2 Data Analysis Tools to Identify Safety Issues: Develop and implement quantitative decision-making tools to assess the safety and effectiveness of drugs, biologics, and devices throughout their lifecycle.	Build Regulated Product Information Data Warehouse that will enable intelligence sharing with other regulatory agencies.	15,000,000	.....
	Data access and analysis for active safety surveillance with development of scientific methods of data mining for signals of adverse events.	15,000,000	6
Sub-Total		30,000,000	6

FDA FISCAL YEAR 2009 BUDGET AMENDMENT: ENSURING SAFE AND EFFECTIVE MEDICAL PRODUCTS (+$100 MILLION)—Continued

Strategic Activity	Output	Amount	FTE
1.3 Risk-Based Inspection and Compliance: Strengthen field operations to better protect public health. The sheer volume of products, manufacturing plants, distributors, and importers demands a more robust inspection force with better capacity to reach the community that FDA regulates.	250 more foreign medical product facility inspections [1] (uc=$45.000)	11,200,000	50
	Increase FDA's presence beyond our borders to five countries or regions of the world.	10,800,000	18
	250 more domestic medical product inspections (uc=17.7K)	4,400,000	14
	Improve lab infrastructure and tools for rapid analysis of product/ingredient content.	7,500,000	5
	Increase import exams (10,000) and sampling/laboratory analysis (300)	6,600,000	35
	IT systems to achieve an integrated inventory database	3,000,000	.....
	Improve risk communications to public and industry	5,000,000	5
Sub-Total		48,500,000	127
GRAND TOTAL, Medical Product Safety and Effectiveness		100,000,000	160

[1] FDA will hire and train additional field inspectors throughout fiscal year 2009. As a result, by fiscal year 2010, the proposed investment will allow FDA to increase its inspection and surveillance capacity by the number of inspections identified in this output

FDA FISCAL YEAR 2009 BUDGET AMENDMENT: MODERNIZING FDA SCIENCE AND WORKFORCE (+50 MILLION)

Strategic Activity	Output	Amount	FTE
Modernizing FDA Science and Workforce:			
1.1 Science Leadership and Coordination: FDA will enhance science programs across the agency, especially in emerging areas such as nanotechnology and tissue engineering. FDA will establish mechanisms to access the best scientific knowledge and expertise to modernize its regulatory science. FDA will strengthen its capacity to support emerging areas of science and manufacturing that are essential to regulating FDA products.	Strengthen programs of emerging science in Centers and at the National Center for Toxicological Research and enhance integration.	$5,000,000	15
	Strengthen capacity to support nanotechnology, cell and gene therapies, robotics, genomics and proteomics, Critical Path initiatives, and advanced manufacturing technologies.	27,000,000	40
Sub-Total		32,000,000	55

1.2 Investments to Support Science-Based Regulation: FDA will upgrade its science capacity by providing more training and professional development support for FDA science staff. FDA will create an Agency-wide 2-year Science Fellows Program intended to include up to 2,000 trainees to develop a new cadre of emerging leaders in regulatory science. FDA will upgrade facilities that do not adequately support FDA's current or future mission.	Expand science training and professional development for career employees ..... Launch Science Fellows Program and initiate recruitment of first 500 fellows ..... Improve facilities outside of the Washington region to support FDA's mission and enable these facilities to accept new food and medical product technologies.	4,000,000 4,000,000 10,000,000	8 8 .....
Sub-Total	.....	18,000,000	16
GRAND TOTAL, Modernizing FDA Science and Workforce	.....	50,000,000	71

PAY COSTS

Question. The budget request includes a net increase request of $54 million in budget authority. The increase is supposed to fund pay costs and increases in food safety and medical product safety. However, the budget also states that the pay and benefits need for fiscal year 2009 is slightly more than $59 million, approximately $5 million more than the request.

It is apparent that maintaining current staff levels will consume your entire request amount in fiscal year 2009. Since this is the case, how will you accomplish the food safety and medical product safety activities promised in the budget? Will you be forced to cut back in other areas?

Answer. The fiscal year 2009 President's Budget provides staff for FDA to perform its public health mission and provide inspectors, medical and consumer safety officers, food safety technologists, medical product reviewers, postmarket safety experts, and other public health experts to safeguard the American public and implement the food and medical product safety activities outlined in the budget.

The President's fiscal year 2009 budget contains $25 million to pay the cost of living increase for FDA employees. FDA will cover fiscal year 2009 cost increases through a combination of strategies, including reducing operating costs and the design of its hiring plan.

IT INVESTMENTS

Question. Dr. von Eschenbach, in a recent speech to the Food and Drug Law Institute you mentioned that FDA's information technology infrastructure is "adequately funded at $200 million a year, but [it] remains antiquated, unreliable, and beset by high-cost maintenance." You said that FDA's IT infrastructure is essentially "a quilt of patched-together hardware, and fragmented software packages."

In addition, one of the findings in the recent Science Board report was that "FDA lacks information technology capability and capacity to support monitoring of drug and food safety and is particularly challenged in the regulation of products based on new science." The Science Board goes on to recommend the development and execution of a comprehensive IT modernization plan.

FDA's budget for fiscal year 2008 is about $2.2 billion. According to your numbers, the agency is spending about 10 percent of its budget on IT.

How is it possible that your IT systems are in such shambles if the agency is regularly spending about 10 percent of your budget on IT? Based on your statement, you appear to agree that $200 million a year is "adequate".

Answer. We concur that FDA faces many challenges maintaining its current management information system while also upgrading its IT services to meet the challenges of the 21st century. However, FDA has made great strides since fiscal year 2004, and has accelerated its progress during fiscal year 2007 to centralize FDA-wide IT resources. FDA activities will result in strengthening FDA's base operations, eliminating duplicative systems, standardizing processes and procedures, and generally improving the efficiency of FDA IT systems.

Starting in 2004, the FDA Business Framework established and implemented the Bioinformatics Board, also known as the BIB. The BIB provides strategic direction, coordinates FDA business processes, and harmonizes information management initiatives. The BIB governance structure operates with five Business Review Boards to harmonize FDA business processes across strategic lines of business. The five Business Review Boards address Pre-Market Activity, Post-Market Safety, Product Quality and Compliance, Administrative Services, and Scientific Computing and Computational Science.

FDA progress coordinating the management of information systems matured in 2007 with the creation of the Chief Operating Officer position and the elevation of the Chief Information Officer. These actions signified the importance and criticality of Information Management at FDA. At the same time, the Business Review Board identified 5-year goals and strategic objectives for five FDA-wide Information Technology initiatives.

The first initiative is the Information and Computing Technologies for the 21st Century, which is designed to provide modernized servers and analysis mechanisms to meet Bioinformatics requirements.

The second initiative is updating MedWatch, which is a system created to provide a portal for adverse event reporting and consumer complaints.

The third initiative is the Harmonized Inventory Project, an exciting endeavor to clean up legacy data and provide one source of truth for registration and listing information.

The fourth initiative is the creation of a Common Electronic Document Room to facilitate data sharing across all of the FDA business lines.

Finally, the FDA Advanced Submission Tracking and Review System, upon completion, will move data across applications throughout the continuum of the product lifecycle, from pre-approval through consumption, creating a close loop system encompassing all FDA business lines.

In summary, these initiatives not only lay the foundation for integrating disparate existing systems across the FDA, but they also align with recently enacted legislation and action plans.

Continuing in 2008 and beyond, FDA will achieve business driven IT that is managed as an FDA IT investment portfolio. FDA will standardize approaches to developing systems to increase interoperability, minimize redundancy by centralizing IT and obtain economies of scale across FDA. FDA will deliver the systems and functionality to implement FDA Amendments Act, Import Safety Action Plan, and the Food Protection Plan.

These advances at FDA have raised Information Technology to a corporate level resource that is being directed, governed, and managed across FDA by the Bioinformatics Board and the CIO. This approach enables business driven IT support and services that allow FDA to achieve its mission of promoting and protecting public health.

Question. If you were to prioritize areas where IT investment could be made, what would those areas be and how much would you invest?

Answer. FDA's Business Review Board identified 5-year goals and strategic objectives for five FDA-wide Information Technology initiatives. The five initiatives are Information and Computing Technologies for the 21st Century, MedWatch, the Harmonized Inventory Project, a Common Electronic Document Room, and the FDA Advanced Submission Tracking and Review System. These are long-term IT projects and FDA is still evaluating the resource requirements to accomplish these IT priorities.

CRITICAL PATH ACTIVITIES

Question. Last year, you joined us in Utah for a subcommittee hearing on FDA's critical path initiative. During the hearing we discussed ways that FDA can work with universities and non-profit organizations to optimize drug dosing for certain patients, thus minimizing adverse events and helping people get the drug that is right for them. In the fiscal year 2008 appropriations bill, the Committee provided $7.5 million for the critical path initiative, of which $2.5 million was made available for competitive critical path research grants.

Could you update us on your progress in this area?

Answer. FDA has awarded more than $3 million in grants and contracts so far this year to external organizations to support a variety of critical path activities, including efforts in support of personalized medicine.

For example, we renewed and extended our contract with the Critical Path Institute, C-Path. As you know, C-Path was co-founded by the University of Arizona and Stanford Research Institute, International, as a neutral ground for supporting collaborations on education and training in applied research and regulatory sciences. FDA and C-Path executed a memorandum of understanding that lays out the general parameters for these collaborations. One of these collaborations, the Predictive Safety Testing Consortium—PSTC—was announced in March 2006 to develop and qualify preclinical safety biomarkers. Although that effort will continue, significant progress already has been made. FDA and our European counterpart, the European Medicines Agency (EMEA) currently are reviewing the validity of seven new tests, or biomarkers, to detect drug-induced kidney damage. The PSTC was able to bring together 190 international scientists to share scientific data and generate a novel simultaneous submission to both regulatory bodies.

We look forward to the possibility of further transatlantic cooperation for safer medical products. We hope for similar, continued advancements from our five working groups: Kidney Toxicity, Liver Toxicity, Blood Vessel Toxicity, Carcinogenicity, and Muscle Toxicity.

Question. Are there any particularly promising critical path projects that you would like the Committee to know about?

Answer. We would like to share four important projects with you today.

FDA is developing and implementing a single electronic portal for the receipt of all adverse event reports coming into the Agency—MedWatchPLUS. A 5-year contract was awarded to SRA International, Inc. in early 2008 for the integration of the MedWatchPlus portal and the FDA Adverse Event Reporting System, our new harmonized adverse events reporting system. This effort is critical for public health; it will greatly improve the quality and consistency of the adverse event reports that we receive. We are also working on a related effort with the National Institutes of

Health to develop an electronic reporting questionnaire that will greatly reduce the burden on the healthcare community and the public when they report to us through the new portal.

FDA is working to explore the possibility of collaborating to create a national, integrated, electronic system for monitoring medical product postmarket safety. This Sentinel System would enable FDA to capitalize on the capabilities of multiple, existing data systems to augment the Agency's current postmarket monitoring capability.

C-Path is helping launch a large collaboration dedicated to advancing progress against major diseases, initially Alzheimer's and Parkinson's. The Coalition Against Major Diseases, CAMD, will enable FDA, industry, academic scientists, government agencies, and healthcare providers to share pooled data on the natural history of diseases. With these data we will generate a quantitative disease progression model that can be made available for all to use in designing clinical trials to more efficiently evaluate new therapies. This effort will be similar to our collective attack on HIV/AIDS.

Finally, the Clinical Trials Transformation Initiative, CTTI, is a collaborative endeavor with Duke University and other academic and industrial Critical Path partners. The aim is to improve the efficiency and safety of clinical trials by incorporating new information technology and monitoring systems.

FOOD SAFETY RESEARCH

Question. In the fiscal year 2008 appropriations bill, the Committee provided $3 million for food safety research under the National Research Initiative at USDA. We directed the Department of Agriculture and FDA to work together to develop food safety research priorities that benefit both USDA and FDA.

How is this effort progressing? Have you identified research priorities and started the process of awarding research grants?

Answer. The FDA and USDA's Cooperative State Research, Education, and Extension Service, also known as CSREES, have met on several occasions to discuss FDA's broad food safety research priorities in relation to how these priorities would benefit USDA. FDA's priorities from these discussions are incorporated in two of the current priorities that CSREES announced in their request for proposal, also known as an RFP. Fiscal year 2008 research priorities will address human enteric viruses or microbial toxins in the areas associated with seafood and in the areas of fresh fruits, nuts, and vegetables.

For fiscal year 2008, CSREES' Food Safety Program's review panel met April 22 through 24, 2008, to rank proposals received. One FDA scientist participated as a member of the review panel. Awards will be made based on normal CSREES extramural and contract procedures. FDA has had additional discussions with CSREES regarding establishing a more formal process for seeking FDA's input into the development of next year's RFPs, and FDA is currently moving forward with those arrangements.

Question. What are the food safety research priorities for FDA?

Answer. FDA's Food Protection Plan emphasizes the need to know the science underpinning how and where food becomes contaminated and the associated risks. The Food Protection Plan also highlights the use of science to determine optimal interventions to reduce the likelihood of contamination and harm. The Center for Food Safety and Applied Nutrition, known as CFSAN, the Center for Veterinary Medicine, known as CVM, and the National Center for Toxicological Research, known as NCTR, work collaboratively to advance research in the food safety arena.

The following information describes the CFSAN food safety research priorities. FDA periodically updates its research priorities to reflect the changing needs of food programs. CFSAN is currently updating its research priorities since the center successfully completed a cycle of research focused on food defense issues. The center is initiating research to support our Food Protection Plan. These priorities include addressing issues related to the prevention, intervention and response components of the Food Protection Plan. Priority regulatory activities that will require substantial research support are likely to include work in chemical and microbiological sampling and detection methods, interventions to prevent the contamination of produce and dairy products, assessing the safety of dietary supplements, research to support dietary guidelines, conducting of evidenced-based evaluation of health claims, and developing and disseminating guidance to stakeholders for food safety concerns. CFSAN will address these research needs through intramural and extramural research, Centers of Excellence partnership programs, and our established interactions with research agencies such as USDA's Cooperative State Research, Edu-

cation, and Extension Service, USDA's Agricultural Research Service, and the National Institutes of Health.

The following information describes the CVM food safety research priorities. In the area of antimicrobial safety, CVM is developing rapid methods such as microarray and biomarkers to screen foodborne pathogens for genetic relatedness. CVM is also developing rapid methods to screen for the carriage of resistance genes in order to measure the migration of resistance genes from the animal production environment to humans where they can cause intestinal illness. This information will help assess the risk associated with antimicrobial use in food-producing animals. CVM's National Antimicrobial Resistance Monitoring System, or NARMS, provides ongoing monitoring data on the antimicrobial susceptibility patterns in common foodborne bacteria. This information can be used to alert the veterinary medical community and regulatory officials about emerging resistance problems that may compromise drug efficacy.

In the area of animal feed safety, CVM is developing and validating methods for detecting prohibited proteins from the United States and European Union sources in animal feeds. The methods will provide Federal and State investigators with rapid and sensitive tools for enforcing the FDA Feed Ban, thus preventing the spread of BSE in cattle and the possible outbreak of variant Creutzfeldt-Jakob disease in humans. We are also conducting residue depletion and toxicity studies associated with melamine and cyanuric acid in animal feeds. Information from these investigations will aid in assuring the safety of animals consuming contaminated feed and humans consuming animal products.

In the area of drug residues and chemical contaminants, CVM is developing methods for use in Federal and State regulatory laboratories to detect illegal drug residues in animal-derived foods such as aquaculture products and honey. Methods are being developed to detect illegal residues, natural toxins, and dangerous contaminants in animal feeds. Significant progress has been made in developing methods to detect melamine and cyanuric acid in feeds, and to develop methods capable of testing for a variety of contaminants in distillers' grains, a byproduct of the ethanol industry frequently used as a component of animal feeds.

NCTR provides research that supports FDA's food safety priorities in three specific areas. NCTR is conducting research to develop, validate, and implement test methods to rapidly detect chemical and microbial contamination of food. The results of this research are evaluated for application in the FDA Office of Regulatory Affairs field laboratories as well as in commercial food facilities. NCTR research also assesses the biological activity of food contaminants. This research includes determining the toxic effects of the contaminants, evaluating methods to neutralize the contaminant, and investigating pathways of antimicrobial resistance. NCTR develops tools that assist FDA to identify high-risk products, and thereby facilitate optimal use of inspection resources. These tools include statistical models and methods to evaluate the risk potential of imported and domestic products. NCTR is also collaborating to develop a database that contains genetic information about bacterial strains that can be used to differentiate between pathogens and nonpathogens and facilitate tracing pathways of contamination.

GENERIC DRUG CITIZEN PETITIONS

Question. Dr. von Eschenbach, you've mentioned in public statements that one significant challenge posed by the Food and Drug Administration Amendments Act is the 180-day deadline for FDA to take final action on certain citizen petitions related to the approval of generic drugs. You've stated that meeting this new deadline will require significant new efforts and additional resources.

For the past 2 years, this subcommittee has provided FDA with more money than was requested in the budget for generic drug review. Is it possible to use these resources to assist with the review of citizen's petitions?

Answer. FDA recognizes the value of the subcommittee's interest and support for the Generic Drug Review program, as represented by the additional resources provided for generic drug review during the last 2 years. The increased funding has been instrumental in ensuring that FDA can continue its performance in expanding the availability of high-quality generic drug products and providing consumers and healthcare providers with information on the safety and effectiveness of generic drugs.

The staff hired with the new funding that FDA received in recent years is not specifically focusing on reviewing citizen petitions. However, increased staff helps to ensure that the Office of Generic Drugs has the expertise necessary to reviewing citizen petitions.

Question. Do you have an estimate of how much would be necessary to meet this new deadline? If so, how much?

Answer. Review of Citizen Petitions subject to Section 914 of the Food and Drug Administration Amendments Act of 2007 involves the work of experts in several offices throughout FDA, including CDER's Office of Regulatory Policy, Office of Generic Drugs, and the Office of New Drugs, as well as the Office of Chief Counsel. We estimate that a total of 40 additional FTEs would be needed to adequately staff all of these offices for this purpose.

IMPLEMENTATION OF THE FDA AMENDMENTS ACT OF 2007

Question. Congress passed, and the President signed into law, the Food and Drug Administration Amendments Act last September. The act is very broad. It reauthorized and expanded FDA's drug and device user fees and included provisions related to food safety, drug safety, research on pediatric products, and advisory committees. According to FDA's implementation plan, the act included 125 separate clauses or provisions that require action.

How are the agency's implementation plans progressing? What would you consider the greatest implementation challenge for the agency?

Answer. FDA efforts to implement the Food and Drug Administration Amendments Act, also known as FDAAA, are proceeding well. After FDAAA passed last year, we determined that there were approximately 125 provisions which FDA needed to implement or would have a role in implementing. These provisions, however, represent many more individual tasks. For example, one provision may take thirty individual tasks to accomplish while another provision may require only two or three tasks. As we implement the provisions, additional tasks are added as the full impact of a provision is not always obvious at the outset of implementation.

There are several challenges in implementing FDAAA. The complexity and breadth of the provisions coupled with various specific deadlines pose an enormous challenge to FDA—one that I believe agency employees are doing their best to meet.

Question. Are you meeting the deadlines set forth in the legislation?

Answer. At the current time we have been able to meet almost all of the specific deadlines required by FDAAA.

MEDICAL DEVICE REVIEW PERFORMANCE

Question. As you know, I've been very interested in the medical device user fee program and I have asked many questions about the performance of the program since it was enacted. In addition, this subcommittee has shown a significant amount of support for this program by providing inflationary increases to fully fund the program.

Can you tell us how the agency is doing in regards to meeting the performance goals associated with the user fee program?

Answer. FDA continues to succeed in improving the process for the review of medical device applications and meeting the performance goals first established under the Medical Device User Fee and Modernization Act of 2002, known as MDUFMA. Title II of the Food and Drug Administration Amendments Act of 2007 continued MDUFMA performance goals.

MDUFMA requires close collaboration with stakeholders and increased communication with applicants. FDA is working to clarify its regulatory requirements and make its decisions more transparent through new guidance, educational materials, and meetings. We continually seek to enhance the efficiency and flexibility of our review processes. These efforts help applicants improve the quality of their submissions, and help FDA provide more timely, better-focused reviews. Our ultimate objective is to make important new medical devices available to patients and healthcare providers earlier, while continuing to ensure the quality, safety, and effectiveness of those devices.

I would be happy to provide for the record a table that summarizes FDA's performance on the goals established for the fiscal year 2003-fiscal year 2007 receipt cohorts, showing results achieved through March 31, 2008. The goals applicable to the fiscal year 2008 receipt cohort have been in place for only 6 months, so it is too early for statistical measures to provide useful insights into our progress towards achieving those goals. FDA has, however, taken action to ensure that we are well positioned to achieve the goals for fiscal year 2008-fiscal year 2012. FDA is developing and implementing a new interactive review process that will contribute to better communication with applicants and more rapid resolution of review questions.

[The information follows:]

QUARTERLY REPORT ON PROGRESS TOWARDS ACHIEVING MEDICAL DEVICE PERFORMANCE GOALS SUMMARY TABLES

[Actions through March 31, 2008—Data for FDA]

Activity	Review Time Goal	Performance Goals and Actual Performance to Date									
		Fiscal Year 2003		Fiscal Year 2004		Fiscal Year 2005		Fiscal Year 2006		Fiscal Year 2007	
		Goal	Actual Percent	Goal	Actual Percent	Goal Percent	Actual Percent	Goal Percent	Actual Percent	Goal Percent	Actual Percent
PMAs, Panel-Track Supplements, Premarket Reports:											
FDA decision (approval, approvable, approvable pending GMP inspection, not approvable.	320 days	.....	91.8	.....	91.7	.....	87.7	80	83.7	90	100
FDA decision—Percent within 180 days	180 days	.....	44.9	.....	37.5	.....	29.8	.....	36.7	50	41.2
Expedited PMAs:											
FDA decision (approval, approvable, approvable pending GMP inspection not approvable.	300 days	.....	100	.....	92.3	70	83.3	80	100	90	.....
180-day PMA Supplements:											
FDA decision (approval, approvable, approvable pending GMP inspection not approvable.	180 days	.....	94.1	.....	95.3	80	95.0	80	97.0	90	92.8
510(k)s:											
FDA decision (SE/NSE)	90 days	.....	76.1	.....	83.9	75	91.1	75	91.6	80	92.7
Biologics Licensing Applications (BLAs):											
Review and act on standard original BLAs (issue "complete action" letter).	10 months	.....	.....	.....	100	.....	100	75	97.7	90	97.7
Review and act on priority ordinal BLA submissions (issue "complete action" letter).	6 months	.....	.....	.....	.....	.....	.....	75	.....	90	.....
BLA Supplements:											
Review and act on standard BLA efficacy supplements (issue "complete action" letter).	10 months	.....	100	.....	.....	.....	.....	75	.....	90	.....
Review and act on priority BLA efficacy supplements (issue "complete action" letter).	6 months	.....	.....	.....	.....	.....	.....	75	.....	90	.....
Review and act on BLA manufacturing supplements that require prior approval (issue "complete action" letter).	4 months	.....	.....	.....	.....	.....	.....	75	.....	90	.....

QUARTERLY REPORT ON PROGRESS TOWARDS ACHIEVING MEDICAL DEVICE PERFORMANCE GOALS SUMMARY TABLES—Continued

[Actions through March 31, 2008—Data for FDA]

Activity	Review Time Goal	Performance Goals and Actual Performance to Date									
		Fiscal Year 2003		Fiscal Year 2004		Fiscal Year 2005		Fiscal Year 2006		Fiscal Year 2007	
		Goal	Actual Percent	Goal	Actual Percent	Goal Percent	Actual Percent	Goal Percent	Actual Percent	Goal Percent	Actual Percent
BLA Resubmissions, BLA Supplement Resubmissions:											
Review and act on a Class I resubmission to an original BLA or BLA efficacy supplement (issue ''complete action'' letter).	2 months	.....	.....	.....	.....	75	100	80	.....	90	100
Review and act on a Class 2 resubmission to an original BLA or BLA efficacy supplement (issue ''complete action'' letter).	6 months	.....	100	.....	80	75	100	80	100	90	100

Question. What criteria does the agency use to determine the allocation and priority for the distribution of any increase in staff across FDA components, including offices, divisions, or branches resulting from the medical device user fees and related Congressional appropriations?

Answer. The Food and Drug Administration Amendments Act of 2007, known as FDAAA, was signed into law on September 27, 2007. FDAAA reauthorized FDA's authority to collect fees from the medical device industry under the Medical Device User Fee and Modernization Act, also known as MDUFMA. The activities that comprise the medical device review process are defined in MDUFMA. Medical device review components within FDA that conduct activities that are included in the review process, as defined by MDUFMA, receive increased allocations from device user fee collections.

FDA allocates medical device user fees and other medical device appropriations to best achieve FDA's public health objectives, device performance goals, and other expectations established under MDUFMA, as amended. The allocation between the Center for Devices and Radiological Health, or CDRH, and the Center for Biologics Evaluation and Research, or CBER, is based on the workload balance between the two centers. FDA estimates the percent of the device review workload performed by CDRH and CBER, and allocates MDUFMA resources accordingly. Field resources are allocated among FDA district offices by the Office of Regulatory Affairs according to each district's projected workload. The Centers and ORA apportion their individual resource allocations to their offices, divisions, and branches.

Question. Even though the devices center has received significant increases over the past few years, I understand that the demands on staff are very high. Are there additional tools, such as third party reviews, third party inspections, or fellowship programs available to augment the work of the center? Please discuss the benefits of these programs and why they are important.

Answer. These three programs—third-party review of 510(k) premarket notifications, third-party establishment inspections, and the Medical Device Fellowship Program—provide FDA with important tools that can help us better achieve our public health objectives.

The purpose of the program permitting third-party review of certain 510(k) premarket notifications is to improve the efficiency and timeliness of FDA's 510(k) process. This is the process by which most medical devices receive marketing clearance in the United States. Under the program, FDA has accredited third-parties that are authorized to conduct the primary review of 510(k)s for eligible devices. Persons who are required to submit 510(k)s for these devices may elect to contract with an Accredited Person and submit a 510(k) directly to the Accredited Person. The Accredited Person conducts the primary review of the 510(k), then forwards its review, recommendation, and the 510(k) to FDA. By law, FDA must issue a final determination within 30 days after receiving the recommendation of an Accredited Person. 510(k) submitters who do not wish to use an Accredited Person may submit their 510(k)s directly to FDA. FDA data shows that third-party reviews are somewhat more rapid than an FDA review in some instances. Third-party 510(k)s submitted to FDA are also exempt from any medical device user fee that would otherwise apply.

As of April 15, 2008, FDA has accredited 16 third-party organizations to conduct quality systems inspections of certain medical device establishments. Individuals from eight of these organizations have completed FDA's training requirements and FDA has cleared these individuals to conduct independent inspections. Through April 15, 2008, accredited organizations have conducted six inspections. Although few inspections have been conducted to date, changes specified by the Food and Drug Administration Amendments Act of 2007, also known as FDAAA, have the potential to eliminate certain obstacles to manufacturers' participation in FDA's programs for inspections by accredited third parties.

CDRH established the Medical Device Fellowship Program, also known as MDFP, to increase the range and depth of collaborations between CDRH and the outside scientific community. The MDFP offers short and long-term fellowship opportunities for individuals interested in learning about the regulatory process and sharing their knowledge and experience in the many specialized fields that concern medical devices. Physicians with clinical or surgical expertise, engineers in biomedical, mechanical, electrical and software areas, and individuals from many other scientific disciplines have participated in the fellowship program. Opportunities are available for students in many other areas as well. This collaboration improves FDA's review processes, postmarket surveillance, and science base, all of which contribute to efforts to ensure patients and health care professionals have timely and continued access to safe and effective medical devices.

ROLE OF PHYSICIANS IN MEDICAL DEVICE DEVELOPMENT

Question. As you know, I've been very interested in the medical device user fee program and I have asked many questions about the performance of the program since it was enacted. In addition, this subcommittee has shown a significant amount of support for this program by providing inflationary increases to fully fund the program.

The role of physicians in medical device development and utilization is often not well understood. Can you comment on the role that physicians play in the development of new technologies? Does FDA ever require device companies to train physicians in the use of new technologies?

Answer. A physician may play any number of roles in product development and use, including developer, researcher, investigator, instructor, as well as end user. For example, a physician may identify a problem in medical care, which could initiate the development of a new device. Physicians may also be involved in the conduct of research on a device, including serving as primary investigators, on Institutional Review Board committees, or as monitors of large clinical trials. A physician serving as an investigator may participate in data collection and data analysis for a device premarket submission and may also represent the company in presenting this information to FDA. Once a device is cleared or approved for marketing, physicians may also have a role in teaching other physicians about device use, for example, as a means of promoting safe and effective use.

Yes, FDA has required training as a condition of approval included in premarket approval application orders. For example, carotid stent approval orders require that labeling specify the training requirements that apply to practitioners before they may use these stents. Also, many firms voluntarily provide training for physicians.

OFFICE OF GENERIC DRUGS PRODUCTIVITY

Question. The subcommittee is sympathetic to the workload that the Office of Generic Drugs (OGD) is facing. We all understand and appreciate that generic drugs are cost-effective alternatives that save consumers billions of dollars a year and we appreciate the work that OGD is doing.

With respect to FDA's performance goals, in your most recent budget justification, you indicate two factors have served to lower your productivity. You said that the move to the White Oak campus is "expected to cause a disruption in productivity." You also indicated that working under a Continuing Resolution during the First Quarter in fiscal year 2008 has caused a delay in hiring and training new staff at OGD.

Given that you have now announced OGD's move to White Oak, please provide the Committee with an update on your projected productivity at OGD? In addition, we would appreciate your providing an update on the number of new staff hired and trained with the funding the Committee provided last year.

Answer. OGD will remain in its current Metro Park North buildings for the immediate future. OGD currently occupies three buildings on that the Metro Park North complex.

Overall productivity remains high. However, it is still difficult to keep pace both with the incoming applications and with other matters requiring OGD resources such as Citizen Petitions, lawsuits challenging the approval of generic drugs, and providing guidance to the industry.

In the period from October 1, 2007 through April 15, 2008, OGD has been able to hire 31 new staff representing a variety of scientific and clinical expertise. These new hires are undergoing training. Once that training is completed, OGD expects them to make significant contributions to review performance.

GENERIC DRUG APPLICATION ACTIONS

Question. You have advised the Committee that the OGD target is 1,900 actions for fiscal year 2009, including approvals, tentative approvals, not approvable, and approvable actions on applications. You have also said that your target approval time for the fastest 70 percent of original generic drug applications approved for the fiscal year 2003–2005 cohort is 17.8 months, an increase of 1.8 months from the fiscal year 2002–2004 cohort of 16.0 months. This, of course, is contrasted with the statutory review time of 6 months.

Will the new staff you have hired and trained affect these projected times?

Answer. OGD believes that it will make the goal of 1,900 actions in fiscal year 2009. The Office is on track to exceed the fiscal year 2008 goal of 1,780 actions. As recently hired staff becomes fully trained, OGD will be more confident in its ability to reach these goals. Current performance is based on many overtime hours.

The fiscal year 2003-2005 cohort approval time is 16.6 months. The cohorts for subsequent years are not sufficiently populated to make a determination. OGD does know that its yearly median time to approval has increased due to the escalating workload. OGD continues to endeavor to take first action (approval, not approval, or tentative approval) within the statutory timeframe but the volume of applications often thwarts OGD efforts.

As background regarding Abbreviated New Drug Application (ANDA) review times, the Food, Drug, and Cosmetic Act states in section 505(j)(5)(A), "Within 180 days of the initial receipt of an application under paragraph (2) . . . the Secretary shall approve or disapprove the application." Therefore, either an approval or not approval or similar action not resulting in approval is considered by FDA to be an action that meets this statutory timeframe. FDA makes every attempt to meet this statutory timeframe. However, for a number of reasons it is not always possible to do so. After receiving a disapproval action, manufacturers frequently resubmit applications that address the deficiencies identified in the disapproval action.

Question. Can you provide the Committee with information on the 30 percent of generic drug applications that are outside your "70 percent measure" . . . For example, could you provide us with information on the most speedily approved and the most delayed in approval ANDAS (e.g. how fast ANDAs outside the 70 percent cohort have been approved, and how long others have been delayed)?

Answer. Generally, the quickest ANDA approvals or tentative approvals have been applications submitted under the President's Emergency Plan for AIDS Relief (PEPFAR). Traditionally, the review of these applications is expedited.

In general, applications that take longer to review and approve are from less experienced manufacturers, cover highly complex products or dosage forms, or are related to products that are the subject of Citizen Petitions challenging FDA's approval requirements for the drugs. Applications can also take longer to approve if concerns are raised during facility inspections. For example, applications from one firm were on hold for about 2 years because the manufacturer had been unable to address inspection issues. These cases can delay a number of applications and affect the overall average time to approval. In addition, delays are often caused by the applicants themselves. For internal business reasons, firms may not place high priority on certain applications and may not respond to deficiency letters in a timely fashion. This can considerably delay approval time.

Also, please note that some applications may never be approved because the applicant cannot demonstrate to OGD that the proposed product meets all of the requirements for approval. It is important to understand that part of OGD's mission is fulfilled by preventing inferior, unsafe, and dangerous products from entering the market. Whether a product is approved and how quickly it is approved is controlled by both OGD and other supporting FDA organizations, and the applicants themselves. Poor submissions or inadequate proposed products can result in substantial delays to approval time or in a proposed product never being approved.

Question. How long have the oldest ANDAs which are still under review been pending before the FDA?

Answer. There are two unapproved applications for a product that were submitted 8 and 9 years ago. However, that product has a long and complicated regulatory history that has affected the review of the applications. The next oldest applications were received about 4 years ago. Action on those applications has not occurred because FDA must consider issues raised in citizen petitions that relate to the approvability of the products.

Also, please note that some applications may never be approved, because the applicant cannot demonstrate to OGD that the proposed product meets all of the requirements for approval. It is important to understand that OGD's mission is fulfilled by preventing inferior, unsafe, and/or dangerous products from entering the market. Whether a product is approved and how quickly it is approved is controlled by both OGD (and other supporting FDA organizations) and the applicants themselves. Poor submissions and/or inadequate proposed products can result in substantial delays to approval time or a proposed product never being approved.

Let me now turn to one example of what appears to be an extremely long delay in approval of an Abbreviated New Drug Application that has been brought to my attention. We are aware that the agency has had under review for several years one or more ANDAs with respect to enoxaparin, a low molecular weight heparin, which, some scientists believe has a better safety profile.

Question. Given the recent heparin recall, without revealing any confidential information, could you outline the efforts the agency is making to approve generic substitutes on a priority basis, if any? Is the agency close to giving final approval to generic alternatives?

Answer. OGD has not approved an abbreviated application for enoxaparin. Therefore, the Office may not discuss the manner in which any review is handled nor may OGD indicate how close any potential approval might be. OGD will expedite the review of any new applications for heparin in an effort to alleviate a possible shortage situation. However, we cannot comment on the existence or status of pending applications.

Question. If a shortage of any drug becomes critical, what steps is the agency taking to make certain adequate alternative supplies are available to patients? Are generic alternatives included in these steps?

Answer. It has been the practice in OGD to expedite reviews of applications for products that may prevent or remedy potential shortages or in matters affecting the public health. This practice is reflected in a Manual for Policies and Procedures for OGD which states: "Certain applications may be identified at the time of submission for expedited review. These include products to respond to current and anticipated public health emergencies, products under special review programs such as the President's Emergency Plan for AIDS Relief (PEPFAR), products for which a nationwide shortage has been identified . . . "

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

GENERIC BIOEQUIVALENCE

Question. The FDA's Office of Generic Drugs has not provided a public process for the development of new bioequivalence methods for locally acting drugs. Bioequivalence is used to ensure that a generic drug will be equivalent to a brand name drug. FDA should not develop new scientific methods without transparency, or use those methods to review drug applications until the methods have undergone public and peer review.

In a May 1, 2007 policy statement, the FDA stated that the development of "methods for the assessment of bioequivalence of locally acting drugs" is an area where "additional discussion and collaboration about the science" are needed. The expected result of that statement would be an open public process when developing new bioequivalence methods for locally acting drugs. However, the approval process for Vancocin and Lidoderm continue to be developed without transparency.

Generic drugs are an important part of our healthcare system. Currently, over 60 percent of the prescriptions written in the United States are for generic drugs. Critical to ensuring the safety and effectiveness of generic drugs is the science used to establish bioequivalence of these generic drugs. I have spoken with you on a number of occasions regarding the need for a public process for development of new bioequivalence methods for locally acting drugs. Further, I have sent five letters regarding this issue. They were sent on: December 29, 2006, April 3, 2007, September 26, 2007, and March 28, 2009. On March 28, I sent two letters one regarding locally acting drugs the other specifically on Lidoderm.

Will you commit to developing a process that ensures public review of the data and rationale behind new bioequivalence methods for locally acting drugs before those new methods are used to review or approve generic products?

Answer. In response to your April 3, 2007 letter, FDA advised that notice-and-comment rulemaking is not necessary to ensure that the standards applied by FDA to the approval of generic vancomycin products are scientifically sound and have been thoroughly reviewed by appropriate medical and technical experts. Since the passage of the Hatch-Waxman amendments in 1984, FDA determined the bioequivalence criteria for hundreds of products without notice-and-comment rulemaking. These products included products to treat cancer, HIV/AIDS, and other serious diseases. Just as in assessing whether the sponsor of an innovator drug has submitted adequate studies to establish that its product is safe and effective, FDA relies on the most up-to-date and rigorous science available in assessing whether an Abbreviated New Drug Application, known as an ANDA, sponsor has submitted adequate evidence of bioequivalence.

FDA can obtain public input regarding applicable bioequivalence criteria through a number of mechanisms. Currently, whenever possible, FDA is making bioequivalence recommendations available to industry as guidance, to assist in the development of new generic products. The guidance is initially available in draft and public comment is invited. FDA develops guidance based on procedures set forth in regulations which establish Good Guidance Practices. As a general matter, these regulations provide for a process by which the public can comment on draft guidance and suggest alternative methods. FDA has also sought input from the Advisory Committee for Pharmaceutical Science on recommendations for bioequivalence studies

for locally acting drugs related to the products you mentioned. We are considering holding an additional Advisory Committee meeting in the near future at which these issues will be examined. As we have stated in the past, we continue to consider your concerns as we address these scientific challenges.

PRE-EMPTION

In recent years, the FDA has made clear in final and proposed regulations, and in amicus briefs submitted to courts, the agency believes its decisions regarding approval of drugs, medical devices, and the labels on the drugs and devices pre-empt State law tort claims against manufacturers. On this basis, many courts are dismissing negligence and failure to warn claims against drug and device manufacturers if the FDA has approved the device, drug or label. Some argue that State tort claims are the only means for consumers to seek redress for injuries caused by insufficient warnings on drugs or malfunctioning devices.

Question. Given the FDA's unsatisfactory track record of making certain that drugs are safe and that consumers or physicians are warned of all possible consequences of taking drugs, how can you justify the FDA's recent attempts at asserting pre-emption of State tort claims? What is the harm in allowing the injured, or families of those who have died, from seeking redress based on State law?

If the courts continue relying on rules and regulations issued by the FDA and dismiss cases on pre-emption grounds, the FDA really needs to ensure that it is making the correct decisions. The American people will be counting on the FDA more than ever before.

Answer. FDA shares your concerns about drug safety and the ability of consumers to seek redress for injuries caused by drugs and devices. However, FDA is also concerned that State product liability lawsuits that challenge FDA's careful determination of safety, efficacy, and appropriate labeling can have detrimental effects on public health in a number of ways. Examples of detrimental effects include limiting patient and doctor choices, decreasing patient access to beneficial drugs, and creating confusion over warnings or statements that can deter the use of beneficial drugs.

It is vital to public health that labeling neither underwarns nor overwarns. The public health risks associated with overwarning can be as great as the health risks associated with underwarning. Overwarning can cause patients not to use beneficial medical products and doctors not to prescribe them. Underutilization of a product based on dissemination of scientifically unsubstantiated warnings, so as to deter patients from undertaking beneficial, possibly lifesaving treatment, could frustrate the purposes of Federal regulation as much as overutilization resulting from a failure to disclose a drug's scientifically demonstrable adverse effects. Further, allowing unsubstantiated warnings may also diminish the impact of valid warnings by creating an unnecessary distraction and making even valid warnings less credible.

In making these crucial balancing decisions, FDA abides by standards set forth in regulations and guidance documents that are issued through a public process. FDA is the scientific regulatory body that is publicly accountable for effectively executing its mission of protecting and promoting the public health. FDA believes that State court actions that undermine FDA decisions may have the consequence of serving to hinder, rather than help, public health.

Question. Does the FDA have the resources to adequately protect consumers of drugs and medical devices? Given the recent, highly publicized safety issues with drugs and medical devices, how can you assure the American people that the drugs they are prescribed are safe enough to justify pre-empting State law and denying access to the courts when people are injured or killed?

Answer. Congress has charged FDA with the responsibility to ensure that drugs, biologics, and devices are safe and effective, and that the labeling of these products adequately informs users of the risks and benefits of the products. FDA considers not only complex clinical issues related to the use of a product in study populations, but also practical public health issues about the use of a product in day-to-day clinical practice. FDA examines the nature of the disease or condition for which the product will be indicated, and the need for risk management measures to help assure that the product maintains a favorable benefit-risk balance. FDA believes, based on the authority that Congress has given it and the scientific expertise that resides in the Agency, that it is uniquely qualified to make important judgments about the safety, effectiveness, and labeling of medical products.

FDA extensively reviews drugs and devices for safety and efficacy using standards specified in the law. FDA doctors, chemists, statisticians, microbiologists, pharmacologists, and other experts evaluate whether a product is safe and effective. In addition to its comprehensive pre-market review of medical product safety and efficacy, FDA engages in post-market surveillance to detect and respond to emerging

information about products after they have been on the market. Manufacturers must review and report to FDA any adverse events associated with use of a drug in humans, and must periodically submit any significant new information that may affect FDA's previous conclusions about the safety, effectiveness, or labeling of a drug. Device sponsors have similar obligations. FDA is currently modernizing its post-marketing surveillance and risk communication efforts through implementation of the Food and Drug Administration Amendments Act of 2007 and other major initiatives. FDA believes its teams of scientists are unsurpassed in ensuring that labeling meets patients' needs.

On September 27, 2007, the President signed the Food and Drug Administration Amendments Act into law, also known as FDAAA. FDAAA reauthorized two important user fee programs, the Prescription Drug User Fee Act, also known as PDUFA, and the Medical Device User Modernization Act, also known as MDUFMA. PDUFA and MDUFMA provide FDA with the resources to assure the safety and effectiveness of human drugs and medical devices. For fiscal year 2008, FDA will receive $459.4 million in PDUFA fees and $48.4 million in MDUFMA fees. These additional resources will help FDA to achieve its mission of assuring the safety and effectiveness of human drugs and medical devices.

CONCLUSION OF HEARINGS

Senator KOHL. This hearing is recessed.

[Whereupon, at 11:05 a.m., Tuesday, April 15, 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 2009

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 2009 budget request for programs within the subcommittee's jurisdiction.]

PREPARED STATEMENT OF THE AD HOC COALITION

Mr. Chairman, Members of the Subcommittee, this statement is respectfully submitted on behalf of the ad hoc coalition [1] composed of the organizations listed below. The coalition supports sustained funding for our Nation's food aid programs, including Titles I and II of Public Law 480, and therefore strongly opposes the administration's repeatedly rejected proposal to divert food aid funding to cash assistance programs.

GUIDING PRINCIPLES OF FOOD AID POLICY

The coalition recognizes that American food assistance policy is well-established and founded on certain guiding principles, including:

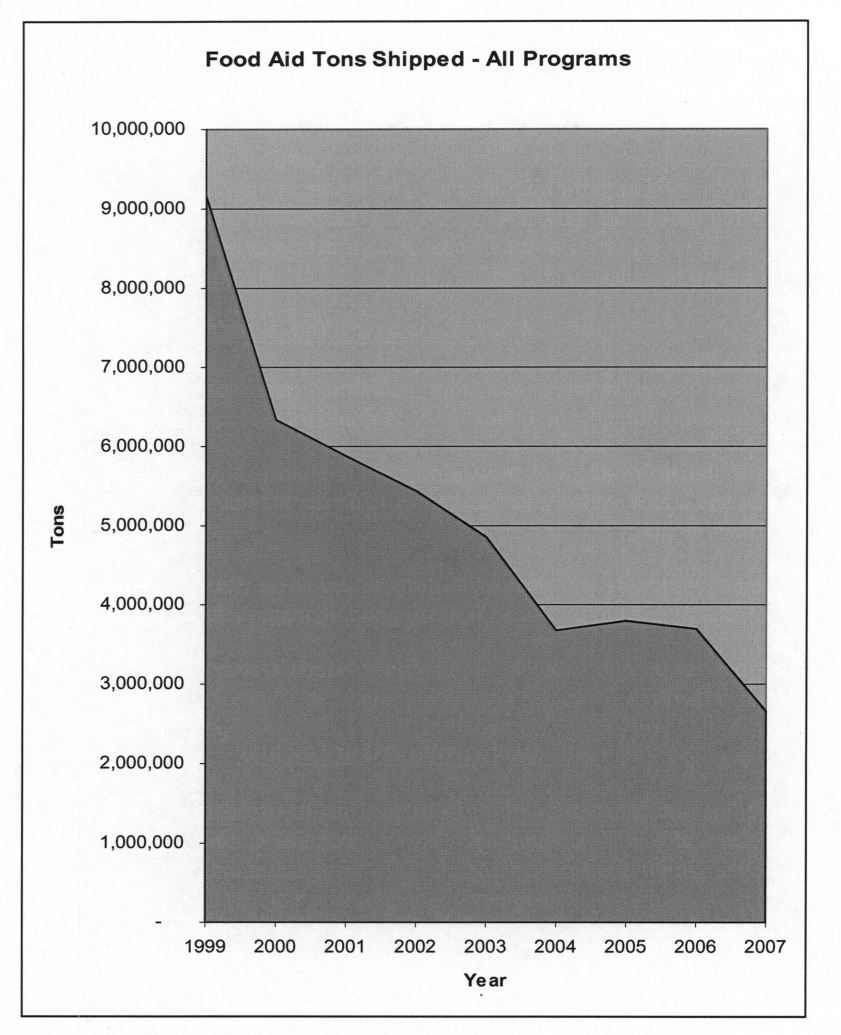
—Meeting America's humanitarian obligation to sustain international aid programs, with U.S. participation in such programs constituting more than 50 percent of all food aid worldwide.
—Employing food assistance programs overseas as stepping stones for economic growth and development, helping break the cycle of hunger and poverty.
—Employing food assistance programs to demonstrate American compassion for disadvantaged populations, thereby enhancing goodwill toward America.

THE SHARP DECLINE IN FOOD AID

Food aid has enjoyed broad, bipartisan support for many decades. The strength of our commitment has made the United States the world's leading supplier of humanitarian assistance. American food aid has saved countless lives while bolstering American agriculture and helping aid recipients strengthen and stabilize their economies.

[1] The ad hoc coalition is composed of the America Cargo Transport Corp., American Maritime Congress, American Maritime Officers, American Maritime Officers' Service, American Soybean Association, Global Container Lines Ltd., Global Food and Nutrition Inc., International Food Additives Council, International Organization of Masters, Mates & Pilots, Liberty Maritime Corporation, Maersk Line, Ltd., Marine Engineers' Beneficial Association, Maritime Institute for Research and Industrial Development, National Association of Wheat Growers, National Corn Growers Association, National Council of Farmer Cooperatives, Seafarers International Union, Sealift, Inc., Tosi Maritime Consultants, LLC, Transportation Institute, United Maritime Group, LLC, USA Dry Pea & Lentil Council, USA Rice Federation, U.S. Dry Bean Council, and U.S. Wheat Associates, Inc.

In recent years, however, food aid shipments have declined sharply. Food aid shipments have decreased 71 percent, from 9.1 million tons in 1999 to a low of 2.7 million tons in 2007, as illustrated in the following chart:



SOURCE: United States Maritime Administration.

In short, food aid shipment levels are now less than one third of what they were a decade ago. Therefore, we respectfully request that this steady erosion of food aid be reversed, and that funding be restored to sustainable levels to assure the continued effectiveness and stability of these important and historically successful programs.

THE ADMINISTRATION'S BUDGET FOR FISCAL YEAR 2009

The administration proposes to continue last year's total elimination of funding for Title I.

Over the last several years, as funding for Title I has disappeared, the vast majority of food aid donations have been provided through the Food for Peace (Public Law 480) Title II program, which the administration proposes to further reduce by $439 million from the actual fiscal year 2007 levels. Moreover, under the President's

budget, Title II food aid would be reduced by up to $305 million and converted to overseas aid purchases at the discretion of the Administrator for USAID. The reduction will almost certainly violate the statutory minimum of 2.5 million metric tons of food aid required by Title II.

The administration has requested $100 million for the McGovern-Dole International Food for Education and Child Nutrition Program ("IFEP"), representing approximately 70,000 tons of commodities. This proposal represents a 22 percent decrease in food shipped from last year's proposal of 90,000 tons shipped under McGovern-Dole.

Lastly, the administration has signaled, once again, that no surplus commodities will be made available for donation in fiscal year 2009 under the authority provided by Section 416(b) of the Agricultural Act of 1949. This represents another year of diminished reliance on the successful 416(b) program, which is funded through the Commodity Credit Corporation ("CCC"). As USAID has explained, the mothballing of 416(b) has resulted in the decline of overall food aid resources available and additional pressures to re-direct Title II non-emergency program resources to emergency programs.

The administration's recommendations, taken together, would lead to significant reductions in food aid. For the reasons set forth below, the coalition urges this subcommittee to sustain Title II funding, reinvigorate the Title I program, and reject, for the fourth time, the administration's proposal to divert up to a quarter of Title II appropriations into a discretionary account for USAID.

RESTORATION OF OVERALL FOOD ASSISTANCE PROGRAM LEVELS

The coalition recommends that food aid be restored over time to sustainable levels in the range of 5 million to 6 million metric tons of grain equivalent in each fiscal year. In fiscal year 2009, this would require restoration of Title I funding, an increase in funding to meet the minimum 2.5 million metric tons required by statute, and greater use of existing authorities of the CCC.

USDA's fiscal year 2009 Budget Summary justifies the elimination of Title I as necessary because recipient countries have been more interested in direct grants under Title II than concessional sales under Title I.

In order to ensure that countries with the direst need have sufficient donated food aid, the coalition recommends that USDA offer the Title I concessional sales program to countries that can afford it. Among the countries receiving Title II-funded grants in recent years, some reasonably could afford to make the transition from grant assistance to concessional sales, using the direct loan authority of Title I.

To the extent that the Title I funding truly cannot be used for concessional sales, it may be converted to donations on full grant terms through the Food for Progress ("FFP") program. There is strong demand for Title I funding channeled through FFP: For fiscal year 2007, 100 proposals were submitted by PVOs and 16 by governments, but only 11 new proposals were approved.

ELIMINATION OF TITLE II FUNDING FOR "LOCAL PURCHASE"

The coalition is strongly opposed to the administration's attempts to eliminate up to 25 percent ($305 million) of Public Law 480 Title II funding in favor of an experimental program whereby the USAID Administrator will be granted unchecked discretion to divert U.S. agriculture appropriations to foreign growers and manufacturers. This Committee wisely rejected this proposal during each of the last three budget cycles and it should emphatically reject it once more.

The administration's proposal for a new "local purchase" program would require new legislative authority. However, after extensive consideration, the Agriculture Committees wisely declined to create such a program inside Public Law 480 during recent debate on the Farm Bill—neither the House nor the Senate versions pending before the conference includes such an initiative in Public Law 480.

Moreover, a local purchase program inside Public Law 480 would be redundant. USAID already has existing authority that it uses for local purchases through the International Disaster and Famine Assistance Program ("IDFA") pursuant to the Foreign Assistance Act of 1961. The Foreign Operations appropriators provided new funds for local purchase through the IDFA in 2008 and the administration has proposed continuing the program under that existing authority in fiscal year 2009.

The wisdom of local purchase remains in question. The experts agree that relying upon underdeveloped local food markets seriously risks destabilizing them by spiking local food prices and widening the circle of food insecurity. Local purchase also raises serious food safety issues such as aflatoxin poisoning. Lastly, diverting large sums of cash into places such as sub-Saharan Africa raises real concerns about corruption and abuse.

In addition to being an unwise policy, the administration's proposal is politically unsound. As the Congress admonished the administration when it first proposed the 25 percent diversion of Public Law 480, the proposal "place[s] at risk a carefully balanced coalition of interests which have served the interest of international food assistance programs for well more than 50 years." The European experience is telling: When the Europeans migrated to local purchase, their contributions to world hunger relief dropped dramatically. The world's hungry cannot afford for us to follow in their footsteps.

CONCLUSIONS AND RECOMMENDATIONS

Mr. Chairman, the coalition is committed to maintaining U.S. food assistance programs at responsible levels in order to meet humanitarian needs and enhance the potential for economic growth in recipient countries. Our recommendation is to increase, over time, annual food assistance at combined program levels of between 4.0 million and 6.0 million metric tons of grain equivalent. This can be accomplished, as in the past, with a blend of programs supported by direct appropriations and CCC program authorities.

The coalition respectfully recommends the following:

—Title I program levels should be restored to responsible levels so that the unique efficiencies of the program are not lost and more people can be fed.

—The Title II program should be increased to $1.8 billion in order to satisfy the 2.5 million MT required by statute, and responsibly increased to $2 billion over time.

—In committee report language, the Committee should reiterate its fiscal year 2003 directive to the administration to make greater use of existing CCC authorities to expand food aid to regions in critical need, and once more explicitly reject the administration's proposal to convert Public Law 480 into a redundant "local purchase" initiative.

The food aid programs save lives. They have been the bulwark of American humanitarian assistance since the days of the Marshall Plan, and they deserve the support of your subcommittee, the Congress, and the entire Nation.

PREPARED STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION

The American Farm Bureau Federation has identified three general areas for increased emphasis and funding for USDA programs in the fiscal year 2009 agriculture spending bill. They are:

—Programs that strengthen rural communities.

—Programs that expand export markets for agriculture.

—Food safety and protection programs.

Within these categories, we would like to call your attention to specific programs deserving of your support.

Programs that Strengthen Rural Communities

Business and Industry (B&I) Direct and Guaranteed Loans finance business cooperatives and industry acquisition, construction, conversion, expansion, and repair in rural areas. Loan funds can be used to finance the purchase, and development of land, supplies and materials, and pay start-up costs of rural businesses.

Broadband Loans and Grants support acquisition and construction of broadband facilities in under-served rural areas that are currently at a disadvantage in gaining access to these newer technologies, in part, because the costs per user are higher than in more urbanized areas.

The Enhancement of Access to Broadband Service in Rural Areas program provides loans, grants, and loan guarantees to construct, improve and acquire facilities and equipment to provide broadband service to rural areas with less than 20,000 residents.

Value-Added Agricultural Production Grants provide grants to assist farmers and ranchers in creating greater value for agricultural commodities. A portion of the funding is reserved for the establishment of Agricultural Demonstration Centers, which provide training and technical assistance to new or expanding value-added agricultural enterprises.

Distance Learning and Telemedicine Loans and Grants provide financial assistance to rural community facilities, e.g., schools, libraries, hospitals and medical centers. These programs help rural schools and hospitals obtain and use advanced telecommunications for health and educational services.

Community Facility Direct and Guaranteed Loans are made for constructing, enlarging or improving essential community facilities in rural areas and towns with

populations of less than 20,000. Applications for health and public safety projects receive the highest priority.

The Renewable Energy and Energy Efficiency Program offers grants, guaranteed loans and combination grant/guaranteed loans to help agricultural producers and rural small businesses purchase and install renewable energy systems and make energy efficiency improvements in rural areas.

The Resource Conservation and Development (RC&D) program supports economic development and resource protection. This program, in cooperation with rural development councils, helps local volunteers create new businesses, form cooperatives, develop marketing and agri-tourism activities, improve water quality and flood control, improve leadership and other business skills, and implement renewable energy projects.

The Revolving Fund (RFP) Grant Program helps communities acquire safe drinking water and sanitary, environmentally sound waste disposal facilities. With dependable water facilities, rural communities can attract families and businesses that will invest in the community and improve the quality of life for all residents.

Programs that Expand Export Markets for Agriculture

The Market Access Program, the Foreign Market Development Program, the Emerging Markets Program and the Technical Assistance for Specialty Crops program are effective export development and expansion programs. These programs have resulted in record increases in demand for U.S. agriculture and food products abroad.

Public Law 480 programs serve as the primary means by which the United States provides needed foreign food assistance through the purchase of U.S. commodities. In addition to providing short-term humanitarian assistance, the program helps to develop long-term commercial export markets.

The International Food for Education Program is an effective platform for delivering severely needed food aid and educational assistance.

As trade between countries increases, so too does the threat of new invasive and noxious pests that can destroy America's agricultural and natural resources. Animal Plant Health Inspection Service (APHIS) Plant Protection and Quarantine personnel and facilities, especially the plant inspection stations, are necessary to protect U.S. agriculture from costly pest problems that enter the United States from foreign lands.

APHIS trade issues resolution and management activities 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 must be active at U.S. ports and in overseas locations to monitor pest and disease conditions, negotiate trading protocols and to intervene when foreign officials wrongfully prevent the entry of American imports.

APHIS Biotechnology Regulatory Services (BRS) play an important role in overseeing the permit, notification and deregulation process for products of biotechnology. BRS personnel and activities are essential to ensure public confidence and international acceptance of biotechnology products.

Foreign Agricultural Service (FAS) staffing is needed to expand services to cover all existing and potential market posts. We urge continued support for the Office of the Secretary for cross-cutting trade negotiations and biotechnology resources.

The U.S. Codex Office is essential to developing harmonized international standards for food and food products. Codex standards provide uniformity in food rules and regulations by allowing countries to adopt similar levels of safety protection for consumers while concurrently facilitating transparency in food trade.

The Chemical Use Survey conducted by the National Agricultural Statistics Service is the only crop-complete, publicly available source of information on actual on-farm pesticide and fertilizer usage. In the 2008 and 2009 budget cycles, USDA chose to not conduct the Chemical Use Survey allegedly due to lack of adequate funding. Survey data are critically needed by public and private interests to assess real world chemical use. The data improve the accuracy and effectiveness of analysis of risk and environmental exposures, and are used to defend the safety of U.S. farm products in export markets.

Food Safety and Protection Programs

The continued safety of food is absolutely crucial to the public, production agriculture and the food industry. Agencies responsible for food safety lack the resources they need to reasonably establish safety, especially food imported from other countries. While food imports have increased about 50 percent in the past 5 years, the number of FDA food import inspectors has fallen about 20 percent. It is essential

that the funding for the Food and Drug Administration's food protection functions be set at $812 million, $192 million more than last year.

Increased funding for USDA's Food Safety Inspection Service also is imperative. Specifically, we urge an increase to at least $952 million, up from $930 million, for FSIS with a focus on full staffing and training of inspectors. FSIS is in the midst of a 60-day enhanced surveillance program to verify and analyze humane animal handling activities in all federally inspected establishments. If the investigation determines that more welfare inspections are necessary, we support increased funding beyond the above request to hire the necessary number of additional inspection personnel.

AFBF has serious concerns about 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.

PREPARED STATEMENT OF THE AMERICAN FOREST & PAPER ASSOCIATION

On behalf of the American Forest & Paper Association (AF&PA), I am pleased to submit the following testimony regarding the fiscal year 2009 U.S. Department of Agriculture budget. AF&PA is the national trade association of the forest products industry, representing forest landowners, pulp, paper, paperboard, and wood products manufacturers. Our companies are in the business of producing products essential for everyday life from renewable & recyclable resources that sustain the environment. The forest products industry accounts for approximately 6 percent of the total U.S. manufacturing output and employs more than a million people with an estimated annual payroll exceeding $50 billion.

AF&PA supports the sustainable management of our Nation's forests and encourages increased funding to advance forestry research, combat invasive species, and enhance food packaging innovations. The following recommendations concern fiscal year 2009 appropriations for the U.S. Department of Agriculture.

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

There is a critical need to focus resources on research and outreach that address forest productivity, wood utilization, nanotechnology, and conversion of wood to produce bioenergy/bioproducts. This practical research and outreach will advance our capacity to produce healthier, faster-growing forests and environmentally-sustainable products, and will also contribute to the stewardship of the Nation's non-Federal forestlands. CSREES and its partnering universities play a key role on-the-ground in meeting this need.

—*McIntire-Stennis Cooperative Forestry Research Program.*—AF&PA is concerned with the President's fiscal year 2009 request of $19.4 million and recommends instead that the program be maintained at the fiscal year 2008 enacted level of $24.8 million. This program is a Federal-State partnership for university research on forest resources and supports cutting-edge research on forest productivity, wood utilization, and development of new technologies. AF&PA opposes the President's proposal to divert 62 percent of existing funds to competitive funding, as it would undermine valuable forestry research being conducted by our Nation's universities. Instead, we encourage a phased approach to building in a competitive grants component to the program.

—*National Research Initiative (NRI) Competitive Grants Program.*—AF&PA supports the President's request of $256 million, but with increased focus on forestry research. These grants provide a source of funding for basic and applied research on forest resources, including their management and utilization. In recent years, however, less than 6 percent of available funding has been allocated for forestry-related research. Given the considerable potential of the program to contribute to the Nation's sustainable forestry research needs, that percentage should be increased, with specific focus on grants that support the Agenda 2020 Technology Alliance, such as the Pine Genome Initiative and nanotechnology research. Working in partnership with universities and the private sector, Federal funding for the Agenda 2020 program supports research to develop and deploy wood production systems that are ecologically sustainable, socially acceptable, and economically viable, in order to enhance forest conservation and the global competitiveness of forest product manufacturing and biorefinery operations in the United States.

—*Renewable Resources Extension Act (RREA) Program.*—AF&PA recommends an increase over the President's request of $4 million. RREA provides the foundation for extension and outreach efforts delivered to private landowners through

universities. Cutting-edge forestry research is of limited benefit unless it can be effectively delivered to the Nation's forest landowners.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

—*Emerging Plant Pests Program.*—AF&PA encourages increased funding for this program in order to support eradication and control efforts targeting the Sirex woodwasp, emerald ash borer, Asian longhorned beetle, and sudden oak death pathogen. All four introduced organisms have already done significant ecological and economic damage and threaten further damage to trees in our forests and communities. Without sufficient funding to prevent movement of these insects and diseases through infested wood, nursery stock, and other materials, the economic cost could escalate to hundreds of billions of dollars. Specific funding recommendations include:
—$5 million for Sirex woodwasp (zero was enacted in fiscal year 2008)
—$45 million for Emerald ash borer ($15 million over fiscal year 2008 enacted)
—$30 million for Asian longhorned beatle ($10 million over fiscal year 2008 enacted)
—$10 million for Sudden oak death ($5 million over fiscal year 2008 enacted)

FOOD AND DRUG ADMINISTRATION (FDA)

—*Food Contact Notification (FCN) Program.*—AF&PA urges Congress to support the FDA's proposed fiscal year 2009 budget of $182 million for the Center for Food Safety and Applied Nutrition (CFSAN), which includes the resources needed to continue operation of the Food Contact Notification program (FCN). This highly successful program provides efficient review and timely approval of new food packaging materials and additives. New food-contact materials have enhanced the safety and security of the U.S. food supply while increasing the availability of environmentally friendly products. The elimination of the FCN program would be an enormous detriment to manufacturers seeking clearances for new food-contact materials to be introduced in the U.S. marketplace. The FCN program is essential for continued paper and paperboard food packaging innovation, and for ensuring the most effective protection of packaged foods during transportation, storage, and ultimate use by the consumer.

CONCLUSION

AF&PA appreciates the opportunity to provide the subcommittee with testimony regarding the fiscal year 2009 budget for the U.S. Department of Agriculture. If implemented, increased funding for the programs listed above will help promote the sustainable management of our Nation's public and private lands and the products that are produced from these lands.

PREPARED STATEMENT OF THE AMERICAN HONEY PRODUCERS ASSOCIATION, INC.

Chairman Kohl and Members of the subcommittee, my name is Mark Brady from Waxahachie, Texas, 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 bring to your attention unprecedented threats to American beekeepers and to U.S. agriculture and to request that you dedicate significant new funding to expand vitally needed honeybee research.

In early 2007, the National Research Council at the National Academy of Sciences characterized the beekeeping industry as having serious problems and being in "crisis mode"—a point echoed and emphasized in the USDA action plan regarding recent honeybee threats. As you know, the situation for beekeepers has only gotten worse in the past year as the still-mysterious condition known as Colony Collapse Disorder ("CCD") continues to devastate large populations of honeybees, with no imminent signs of relief. Despite extensive, coordinated work over the last year by experts from government, academia and the private sector, the causes and solutions for CCD have yet to be identified, and funding for research is running out. New funding is urgently needed to support the Agricultural Research Service ("ARS") and other Department of Agriculture programs to address CCD and other serious threats to honeybee health. In addition, new funds are required to support the private and academic sectors in their vital and groundbreaking research on CCD and other health-related challenges.

In past fiscal years, this subcommittee has supported the beekeeping industry through funding for agricultural research activities. As you know, in the fiscal year 2003 cycle, the subcommittee rejected a proposal that would have resulted in the elimination of three ARS laboratories that are indispensable to the survival of our industry. In the years since then, the subcommittee has worked to restore proposed cuts in honeybee research. Such support has helped the ARS to address some of the most critical research needs of the industry. For this past support, the AHPA and its many members thank you sincerely.

As I speak to you today, U.S. beekeepers are facing the most extraordinary challenges. CCD is ravaging bee colonies across the United States. In 2007, some beekeepers experienced losses up to 90 percent of their bee populations. In 2008, preliminary surveys by USDA scientists indicate that the impact this year is likely to be even more severe. The Department's experts estimate that at least 37 percent of U.S. commercial honeybees are likely to fall victim to CCD in 2008. For example, one of our AHPA members with significant operations in California has already reported losses of 66 percent of his entire bee population.

The causes of CCD are still unknown. CCD may be caused by a complicated mix of factors, including the stresses caused by continuing infestations of mites and pests, recent imports of foreign honeybees and by the high demands of pollination services today. However, CCD's effects are well known. Hundreds of news articles and many in-depth media reports have chronicled a looming disaster facing American beekeepers and the producers of over 90 fruit, vegetable and fiber crops that rely on honeybee pollination.

Over the past year, Congressional leaders and the administration have significantly underscored the priority of honeybee health through significant new authorizations in the pending Farm Bill and in proposed increases for honeybee research in the fiscal year 2009 budget. Moreover, experts in the academic and private sectors and U.S. farm leaders have repeatedly been emphasizing the need to make research on honeybee health a much higher national priority.

All of these developments point to a reality that all of us can no longer afford to ignore—the fact that U.S. honeybee research has been substantially under funded for many years. The emergence of CCD shines a bright light on the inadequacies of current honeybee research, particularly on the lack of capacity to address new challenges and to take long-term steps to assure honeybee health. In saying this, we do not mean to diminish the vital, ongoing work of ARS and other honeybee scientists. They do their job and they do it very well. In recent years, however, honeybee research has become largely confined to four ARS laboratories. Universities and the private sector have substantially scaled back their efforts due to a lack of available funds. Moreover, ARS laboratories lack sufficient resources even for current honeybee research priorities. For example, we understand that ARS currently lacks funds even to test high priority CCD samples that ARS scientists have already collected.

To meet the needs of the American beekeeper and to stave off a pending agricultural crisis for growers and consumers, we respectfully urge the subcommittee to appropriate $20 million in new research funds dedicated toward CCD and other honeybee health research projects. As you know, the Senate version of the 2008 Farm Bill includes an authorization of $100 million over 5 years for such initiatives. A $20 million appropriation in fiscal year 2009 would reflect that authorization, and would provide government, academic and private sector researchers with the vital resources needed to combat CCD and other emerging threats and assure long-term honeybee health. Such funding would be a prudent investment in the U.S. farm infrastructure, which, along with U.S. consumers, derives tens of billions of dollars of benefit directly from honeybee pollination.

Finally, we specifically suggest increased funding in the amount of at least $250,000 for promising honeybee genome research at the ARS laboratory in Baton Rouge. Genome research is likely to be central to resolving mysterious threats such as CCD and to ensuring bee health and productivity for generations to come.

We understand that the administration's fiscal year 2009 Budget would make permanent prior funding levels for certain critical honeybee research conducted at the four ARS Honeybee Research Laboratories, and would add $800,000 in new funding dedicated to combating the grave threat posed by CCD. We appreciate and support the administration's proposal to make permanent baseline funding for the ARS research laboratories. We also support the administration's proposal to increase funding for CCD research. However, we believe strongly that an increase in $800,000 does not come close to meeting the growing demands imposed by CCD and other threats to honeybee health. The significant authorizations for honeybee health research in both the House and Senate versions of the Farm Bill also show that the

authorizing committees, as well as Congress as a whole, agree that substantial new resources are needed.

We also understand that the administration proposes to close the Honeybee Research Laboratory in Weslaco, Texas. We respectfully but strongly oppose the administration's proposal. The four ARS Honeybee Research Laboratories provide the first line of defense against exotic parasitic mites, Africanized bees, viruses, and brood diseases. Equally, the laboratories are needed to respond to new pests, pathogens and other conditions such as CCD that pose very serious and growing threats to the viability and productivity of honeybees and the plants they pollinate. At a time when there is an urgent need to ramp up research on honeybee health, it would be unwise to close the Weslaco facility.

Traditionally, each ARS lab has focused on specific research disciplines, resulting in expertise that is difficult if not impossible to transport to other laboratories. The Weslaco facility specializes in essential research on parasites and necessary intergovernmental cooperation exercises aimed at preventing the importation of foreign born diseases. Although we have been assured that the Weslaco funds would be redistributed among the remaining three ARS laboratories, a disruption of this magnitude runs directly counter to the current critical needs of the beekeeper industry. In 2009, we need to accelerate existing research and substantially ramp up our research capacity to address current and emerging threats. Closing Weslaco would only reduce honeybee research capacity and distract current scientists from important ongoing work.

THE IMPORTANCE OF HONEYBEES TO U.S. AGRICULTURE

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 directly results in more than $15 billion in U.S. farm output. The role of pollination is also vital to the health of all Americans given the dietary importance of fruit, vegetables and nuts, most of which are dependent on pollination. Honeybees are necessary for the production of such diverse 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.

The importance of this pollination to contemporary agriculture cannot be understated. In fact, the value of such pollination is vastly greater than the total value of honey and wax produced by honeybees. More than 140 billion honeybees, representing 2 million colonies, are transported by U.S. beekeepers across the country every year to pollinate crops.

The importance of honeybees—and the U.S. honey industry which supplies the honeybees for pollination—is illustrated by the pollination of California's almond crop. California grows 100 percent of the nation's almond crop and supplies 80 percent of the world's almonds. Honeybees are transported from all over the Nation to pollinate California almonds, which is the largest single crop requiring honeybees for pollination. More than 1 million honeybee hives are needed to pollinate the 600,000 acres of almond groves that line California's Central Valley. That means nearly half of the managed honey-producing colonies in the United States are involved in pollinating almonds in California during February and early March.

Many other U.S. agriculture producers require extensive honeybee pollination for their crops, including blueberry, avocado, and cotton growers. Cattle and farm-raised catfish industries also benefit from honeybee pollination, as pollination is important for growing alfalfa, which is fodder for cattle and farm-raised fish. As OnEarth magazine noted recently, the fate of California's almond crop rests "on the slender back of the embattled honeybee."

THREATS TO U.S. HONEYBEES

Since 1984, the survival of the honeybee has been threatened by continuing infestations of mites, pests and other conditions for which appropriate controls must continually be developed by scientists at the four ARS laboratories and other highly qualified research institutions. These longstanding and worsening infestations have caused great strain on the American honeybee to the point where some U.S. honey producers have felt the need—for the first time in over 80 years—to import bees from New Zealand and Australia for pollination. The strain exerted by infestations has only been exacerbated over the past 2 years by the emergence of CCD. Ironically, leading scientists and industry leaders have concluded that there is likely a correlation between the introduction of foreign bees and the emergence of CCD.

CCD remains a mystery to both beekeepers and scientists, and ARS researchers and other researchers will need significant new resources to determine the causes

of CCD and to develop effective treatment strategies. This research is complex, as there are a wide range of factors that—either alone or in combination—may be causes of this serious condition. Areas for research include the stress from the movement of bees to different parts of the country for extensive commercial pollination, the additional stress of pollinating crops, such as almonds, that provide little honey to the bees, and the impact of certain crop pesticides and genetic plants with altered pollination characteristics. Additionally, 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.

ONGOING AND NEW CRITICAL RESEARCH

AHPA, others in the industry, and leading scientists believe that an important contributing factor in the current CCD crisis is the longstanding, substantial under funding of U.S. bee research. In recent years, the Federal Government has spent very modest amounts at each ARS Honeybee Research Laboratory—for a sector that directly contributes $15 billion per year to the U.S. farm economy.

Worse still, funding amounts have not been increased to account for growing bee health concerns. USDA honeybee researchers remain under funded. As noted above, current funding shortages have caused important CCD-related bee samples to go untested. Additionally, despite their ability to provide significant and innovative new research on emerging bee threats, researchers in the academic and private sectors also lack the necessary financial resources for these vital tasks. With the emergence of CCD, there is 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. It is estimated that each new scientist, technician and the support materials that they need will cost an additional $500,000 per year.

To address these challenges, the AHPA respectfully requests an appropriation in fiscal year 2009 of at least $20 million to be dedicated to combat CCD and conduct other essential honeybee research. We recommend that such funding be allocated consistent with the authorizations provided in the 2008 House and Senate Farm Bills. It is particularly noteworthy that, of all the "high priority" items listed in the Senate Farm Bill, honeybee health research was the only item provided with a dedicated authorization amount. Accordingly, the AHPA strongly supports Senator Tim Johnson's request that the subcommittee make significant dedicated allocations for honeybee research, including $5.64 million to ARS facilities (no less than $3.08 million of which should be designated for research at the four ARS Honeybee Research Laboratories), $1.79 million to an ARS Area Wide CCD Research Program divided evenly between the Beltsville, MD and the Tucson, Arizona research laboratories, $10.26 million to the Cooperative State Research, Education, and Extension Service ("CSREES") to support governmental, academic and private sector research, and $2.31 million to the Animal and Plant Health Inspection Service. Together, we believe that this funding would represent an appropriate commitment to existing research and provide the infusion of necessary new funds to combat CCD and assure the long-term health of U.S. honeybee colonies.

Since the beekeeping industry is too small to support the cost of needed research, publicly-funded honeybee research by the four ARS bee laboratories is absolutely key to the survival of the U.S. honey and pollination industry. For example, the pinhead-sized Varroa mite is systematically destroying bee colonies and has been considered by many in recent years to be the most serious threat to honeybees. Tracheal mites are another contributing factor to the loss of honeybees. Tracheal mites infest the breathing tubes of adult honeybees and also feed on the bees' blood. The mites essentially clog the bees' breathing tubes, blocking the flow of oxygen and eventually killing the infested bees.

The industry is also plagued by a honeybee bacterial disease that has become resistant to antibiotics designed to control it, and a honeybee fungal disease for which there is no known treatment.

These pests and diseases, especially Varroa mites and the bacterium causing American foulbrood, are now resistant to chemical controls in many regions of the country. Further, we have seen that these pests are building resistance to newly-developed chemicals more quickly than in the past, thereby limiting the longevity of chemical controls.

As previously mentioned, the cause or causes of CCD are unknown. Thus, pest, viral and bacterial disease research takes on added significance. First, pest, viral and bacterial disease research may itself provide insight into the discovery of CCD's

root causes. Second, whether pests and bacterial diseases are directly a factor in CCD or not, they nonetheless continue to threaten bee population health and vitality. Given CCD's particularly devastating impact on bee populations, even greater emphasis must be placed on mitigating known threats in order to achieve the overall goal of ensuring adequate honey production and pollination capacity.

In addition to pest and bacterial disease research, the sequencing of the honeybee genome in 2006 at Baylor University has opened the door to creating highly effective solutions to bee health and population problems via marker-assisted breeding. Marker-assisted breeding would permit the rapid screening of potential breeders for specific DNA sequences that underlie specific desirable honeybee traits. The sequenced honeybee genome is the necessary key that will allow scientists to discover the important DNA sequences.

Because of the sequenced honeybee genome, it is now possible to apply molecular biological studies to the development of marker-assisted breeding of honeybees. Marker-facilitated selection offers the first real opportunity to transform the beekeeping industry from one that has been dependent upon a growing number of expensive pesticides and antibiotics into an industry that is free of chemical inputs and that is economically viable in today's competitive global marketplace. Additionally, this new sequencing capacity may prove central to identifying both the cause of and solutions to CCD. New pathogens have recently been identified in the United States that are thought to be associated with CCD. Genetic research can be utilized to determine whether a comparative susceptibility to such pathogens exists among various bee populations, and if so, can serve to facilitate breeding with enhanced resistance.

The ARS Honeybee Research Laboratories work together to provide research solutions to problems facing businesses dependent on the health and vitality of honeybees. The key findings of these laboratories are used by honey producers to protect their producing colonies and by farmers and agribusinesses to ensure the efficient pollination of crops. Each of the four ARS Honeybee Research Laboratories (which are different in function from the ARS Wild Bee Research Laboratory at Logan, Utah) focuses on different problems facing the U.S. honey industry and undertakes research that is vital to sustaining honey production and assuring essential pollination services in this country. Furthermore, each of the four ARS Honeybee Research Laboratories has unique strengths and each is situated and equipped to support independent research programs which would be difficult, and in many cases impossible, to conduct elsewhere. Given the multi-factor research capacity needed to address the scourge of CCD, it is important that each research laboratory is permitted to continue and expand upon their unique strengths.

And while to date the four ARS Research Laboratories have been the backbone of American Honeybee research, we do not believe that those four facilities alone-even when fully funded-will have the capacity to meet today's research needs. This is why last year, 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 both the House and Senate versions of the Farm Bill and in separate House and Senate pollination legislation. In addition to increased resources for ARS research, these experts pressed for new funding, through CSREES, 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 current 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. Funding the 2008 Farm Bill authorization of $10.26 million for the Department of Agriculture's Cooperative State Research, Education, and Extension Services (CSREES) would go a long way toward achieving this goal.

CSREES 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 CSREES 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.

Additionally, the same coalition of experts identified a need for a honeybee pest and pathogen surveillance program. Although significant data exists on American honey production, comparably less and lower quality data exists on beekeepers and bees. Providing $2.31 million under the 2008 Farm Bill authorizations to the Animal and Plant Health Inspection Service at the Department of Agriculture would allow the Department to utilize such data to better respond to pest and disease outbreaks, and to compile data that may better enable prediction of new threats. Given the roughly $15 billion added to the U.S. farm economy each year by honeybees, this is certainly a worthwhile investment in the honeybee and pollinator industry.

CONCLUSION

In conclusion, we wish to thank you again for your past support of honeybee research and for your subcommittee's understanding of the critical importance of these ARS laboratories.

By way of summary, the American Honey Producers Association strongly encourages at least $20 million in new funding for CCD and other honeybee research spread among the four ARS Honeybee Research Laboratories, other ARS research facilities across the country, the Cooperative State Research, Education, and Extension Service at the Department of Agriculture, and the Animal and Plant Health Inspection Service. In addition, AHPA opposes the proposed closure of the Weslaco ARS research laboratory, and supports the administration's proposal to make permanent baseline funding levels at each of the ARS Honeybee Research Laboratories. Finally, AHPA specifically requests an increase of $250,000 for the genome research project at the ARS Baton Rouge Honeybee Research Laboratory.

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.

PREPARED STATEMENT OF THE AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM

Mr. Chairman and Members of the Subcommittee, on behalf of the American Indian Higher Education Consortium (AIHEC) and the 31 Tribal Colleges and Universities (TCUs) that comprise the list of 1994 Land Grant Institutions, thank you for this opportunity to share our funding requests for fiscal year 2009.

This statement is presented in three parts: (a) a summary of our fiscal year 2009 funding recommendation, (b) a brief background on Tribal Colleges and Universities, and (c) an outline of the 1994 Tribal College Land Grant 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 development potential of their resources.

SUMMARY OF REQUESTS

We respectfully request the following funding levels for fiscal year 2009 for our land grant programs established within the USDA Cooperative State Research, Education, and Extension Service (CSREES) and the Rural Development mission area. In CSREES, we specifically request: $5.0 million for the 1994 Institutions' competitive extension grants program; $3.0 million for the 1994 Institutions' competitive research grants program; $3.342 million for the higher education equity grants; $12 million payment into the Native American endowment fund; and in the Rural Development—Rural Community Advancement Program (RCAP), that $5.0 million be provided for each of the next 5 fiscal years for the TCU Essential Community Facilities Grants Program. RCAP grants help to address the critical facilities and infrastructure needs at the colleges to increase our capacity to participate fully as land grant partners.

BACKGROUND ON TRIBAL COLLEGES AND UNIVERSITIES

The first Morrill Act was enacted in 1862 specifically to bring education to the people and to serve their fundamental needs. Today, over 140 years after enactment of the first land grant legislation, the 1994 Land Grant Institutions, as much as any other higher education institutions, exemplify the original intent of the land grant legislation, as they are truly community-based institutions.

The Tribal College Movement was launched 40 years ago with the establishment of Navajo Community College, now Diné College, serving the Navajo Nation. Rapid

growth of TCUs soon followed, primarily in the Northern Plains region. In 1972, six tribally controlled colleges established the American Indian Higher Education Consortium to provide a support network for member institutions. Today, AIHEC represents 36 Tribal Colleges and Universities—31 of which comprise the current list of 1994 Land Grant Institutions located in 11 States. However, with the passage of the Farm Bill reauthorization, the 1994 Institutions expect to welcome another AIHEC member institution, Ilisagvik College in Barrow, AK, as the 32nd tribal college (1994) land grant institution. Our institutions were created specifically to serve the higher education needs of American Indian students. They serve many thousands of Indian full- and part-time students and community members from over 250 federally recognized tribes.

The 1994 Land Grant Institutions are accredited by independent, regional accreditation agencies and like all institutions of higher education, must undergo stringent performance reviews to retain their accreditation status. TCUs serve as community centers by providing libraries, tribal archives, career centers, economic development and business centers, public meeting places, and child and elder care centers. Despite their many obligations, functions, and notable achievements, TCUs remain the most poorly funded institutions of higher education in this country. Most of the 1994 Land Grant Institutions are located on Federal trust territory. Therefore, states have no obligation, and in most cases, provide no funding to TCUs. In fact, most States do not even provide funds to our institutions for the non-Indian State residents attending our colleges, leaving the TCUs to assume the per student operational costs for non-Indian students enrolled in our institutions, accounting for approximately 20 percent of our student population. This is a significant financial commitment on the part of TCUs, as they are small, developing institutions and cannot, unlike their State land grant partners, benefit from economies of scale—where the cost per student to operate an institution is reduced by the comparatively large size of the student body.

As a result of 200 years of Federal Indian policy—including policies of termination, assimilation and relocation—many reservation residents live in conditions of poverty comparable to those found in Third World nations. Through the efforts of Tribal Colleges and Universities, American Indian communities are availing themselves of resources needed to foster responsible, productive, and self-reliant citizens. It is essential that we continue to invest in the human resources that will help open new avenues to economic development, specifically through enhancing the 1994 Institutions' land grant programs, and securing adequate access to information technology.

1994 LAND GRANT PROGRAMS—AMBITIOUS EFFORTS TO REACH ECONOMIC DEVELOPMENT POTENTIAL

In the past, due to lack of expertise and training, millions of acres on our reservations lie fallow, under-used, or have been developed through methods that have caused irreparable damage. The Equity in Educational Land Grant Status Act of 1994 is addressing this situation and is our hope for future advancement.

Our current land grant programs remain small, yet very 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 significant contributors to the agricultural base of the Nation and the world.

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; agriculture; as well as health and nutrition education and awareness.

In the fiscal year 2008, $3,298,000 was appropriated for the 1994 Institutions' competitive extension grants. Although initially appropriated at the same level as fiscal year 2007, due to the perennial across-the-board rescission now routinely imposed, our programs have a decreased baseline each year. Without adequate funding, 1994 Institutions' ability to maintain existing programs and to respond to emerging issues such as food safety and homeland security, especially on border reservations, is severely limited. Increased funding is needed to support these vital programs designed to address the inadequate extension services that have been provided to Indian reservations by their respective state programs. It is important to note that the 1994 extension program does not duplicate the Federally Recognized Tribes Extension Program, formerly the Indian Reservation Extension Agent program. 1994 Tribal College Land Grant programs are very modestly funded. The 1994 Tribal College Land Grant Institutions have applied their ingenuity for mak-

ing the most of every dollar they have at their disposal by leveraging funds to maximize their programs whenever possible. Some examples of 1994 extension programs include: United Tribes Technical College in North Dakota is providing health and wellness education and outreach to students and their families, with a focus on ensuring that young mothers understand the importance of good early childhood nutrition. Lac Courte Oreilles Ojibwa Community College in Wisconsin is strengthening the household economies of local reservation communities by offering financial education curriculum in managing budgets, saving for the future, and understanding the credit basics. These are just two examples of the innovative programs being conducted at 1994 Institutions. To continue and expand these successful programs, we request that the subcommittee support this competitive program by appropriating $5.0 million to sustain the growth and further success of these essential community-based extension programs.

1994 Competitive Research Program.—As the 1994 Tribal College Land Grant Institutions enter into partnerships with 1862/1890 land grant institutions through collaborative research projects, impressive efforts to address economic development through land use have emerged. The 1994 Research program illustrates an ideal combination of Federal resources and tribal college-state institutional expertise, with the overall impact being far greater than the sum of its parts. We recognize the severe budget constraints under which Congress is currently functioning. However, $1,533,000 appropriated in fiscal year 2008 is grossly inadequate to develop capacity and conduct necessary research at our institutions. The 1994 Research program is vital to ensuring that TCUs may finally be recognized as full partners in the nation's land grant system. Many of our institutions are currently conducting applied research, yet finding the resources to conduct this research to meet their communities' needs is a continual challenge. This research authority opens the door to new funding opportunities to maintain and expand the research projects begun at the 1994 Institutions, but only if adequate funds are secured and sustained. A total research budget of $1,533,000, for which 31 institutions compete for funding, is clearly inadequate. Priority issue areas currently being studied at 1994 Institutions include: sustainable agriculture and/or forestry; biotechnology and bioprocessing; agribusiness management and marketing; plant and animal breeding and aquaculture (including native plant preservation for medicinal and economic purposes); human nutrition (including health, obesity, and diabetes); and family, community, and rural development. Two examples include: The College of Menominee Nation in Wisconsin is collecting and analyzing data concerning forest health and sustainability that will help its tribal forest managers meet the growing demand for forest products while protecting the woodlands environment for future generations. Fort Berthold Community College in North Dakota is conducting agricultural trials to determine the economic feasibility of local Juneberry production. Juneberries are an important source of nutrition in many tribal communities. These are two examples of 1994 Research projects. We strongly urge the subcommittee to fund this program at a minimum of $3.0 million to enable our institutions to develop and strengthen their research capacity.

1994 Institutions' Educational Equity Grant Program.—This program is designed to assist 1994 Tribal College Land Grant Institutions with academic programs. Through the modest appropriations first made available in fiscal year 2001, the TCU Land Grant Institutions have begun to support courses and to conduct planning activities specifically targeting the unique needs of their respective communities.

The 1994 Institutions have developed and implemented courses and 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. If more funds were available through the Educational Equity Grant Program, Tribal College Land Grant Institutions could devote more of their endowment yield dollars to supplement other facilities projects needed to address their continuing and often critical infrastructure needs. We request that the subcommittee appropriate $3,342,000—returning the program funding level to the pre-across-the-board rescission level that was once again imposed on non-defense appropriated funding—to allow the 1994 Tribal College Land Grant Institutions to build upon their courses and successful activities that have been launched.

Native American Endowment Fund.—Endowment installments that are paid into the 1994 Tribal College Land Grant 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 USDA has reported the latest gross annual interest yield to be $3,209,000. After the USDA's administrative fee of $128,360 is deducted, the net interest yield is $3,080,640, which is the amount available to be

distributed among the eligible 1994 Tribal College Land Grant Institutions, by statutory formula. Despite an appropriated payment of $11,880,000 into the corpus, the amount available to be distributed to the 1994 Institutions in 2008 is $38,988 less than the net yield distributed in spring of 2007. In addition to the reduced interest yield available, historically USDA's administrative fee amounts to a payment that is larger than the amount paid to 75 percent of the 1994 Tribal College Land Grant Institutions. While we have not yet been provided with this year's distribution breakdown of amounts to each of the 1994 Institutions we fully expect similar results. We respectfully ask that the subcommittee review the Department's administrative fee and consider reducing it for the 1994 Endowment Program, so that more of these already limited funds can be utilized by the 1994 Tribal College Land Grant Institutions to continue to conduct vital community-based programs.

Just as other land grant institutions historically received large grants of land or endowments in lieu of land, this endowment assists 1994 Tribal College Land Grant Institutions in establishing and strengthening their academic programs in such areas as curriculum development, faculty preparation, instruction delivery, and to help address critical facilities and infrastructure issues. Many of the colleges have used the endowment in conjunction with the Education Equity Grant funds to develop and implement their academic programs. As earlier stated, TCUs often serve as primary community centers and although conditions at some have improved substantially, many of the colleges still operate under less than satisfactory conditions. In fact, most of the TCUs continue to cite improved facilities as one of their highest priorities. Several of the colleges have indicated the need for immediate new construction and substantial renovations to replace buildings that have long exceeded their effective life spans and to upgrade existing facilities to address accessibility and safety concerns.

Endowment payments increase the size of the corpus held by the U.S. Treasury and thereby increase the annual interest yield disbursed to the 1994 Tribal College Land Grant Institutions. These additional funds would continue to support faculty and staff positions and program needs within 1994 agriculture and natural resources departments, as well as to help address the critical and very expensive facilities needs at these institutions. Currently, the amount that each college receives from this endowment is not adequate to address both curriculum development and instruction delivery, and completely insufficient to address the necessary facilities and infrastructure projects at these institutions. In order for the 1994 Tribal College Land Grant Institutions to become full partners in this nation's great land grant system, we need and, through numerous treaty obligations, are due the facilities and infrastructure necessary to fully engage in education and research programs vital to the future health and well being of our reservation communities. We respectfully request the subcommittee fund the fiscal year 2009 endowment payment at $12.0 million—returning the payment amount to the pre across-the-board rescission level imposed each year on non-defense appropriated funding.

Rural Community Advancement Program (RCAP).—In fiscal year 2008, $4.0 million of the RCAP funds appropriated for loans and grants to benefit federally recognized American Indian tribes were targeted for essential community facility grants for TCUs. This is a decrease of $414,000 from the fiscal year 2007 funding level. Currently, this program requires that the TCU Essential Community Facilities Grants be subject to the Rural Development graduated scale for determining each institution's share of non-Federal matching funds. The scale dictates the TCU share to be 25, 45, 65, or 85 percent of the grant award. At a minimum, a TCU has to pay a non-Federal match of 25 percent of the grant. Tribal colleges are chartered by their respective tribes, which are in a government-to-government relationship with the Federal Government. Due to this relationship, tribal colleges have very limited access to non-Federal dollars making non-Federal matching requirements a significant barrier to our colleges' ability to compete for these much needed funds. The 2002 Farm Security and Rural Investment Act (Public Law 107–171) included language limiting the non-Federal match requirement for the Rural Cooperative Development Grants to no more than 5 percent in the case of a 1994 institution. We seek to have this same language applied to the TCU Essential Community Facilities grants so that more 1994 Institutions are able to participate in this much needed program. We urge the subcommittee to designate $5.0 million each year of the next 5 fiscal years to afford the 1994 Institutions the means to aggressively address critical facilities needs, thereby allowing them to better serve their students and respective communities. Additionally, we request that Congress include language directing the agency to limit the non-Federal matching requirement for this program to not more than 5 percent, to help all of the1994 land grant institutions to effectively address critical facilities and construction issues in their communities.

CONCLUSION

The 1994 Land Grant Institutions have proven to be efficient and effective vehicles for bringing educational opportunities to American Indians and the promise of self-sufficiency to some of this Nation's poorest and most undeveloped regions. The modest Federal investment in the 1994 Tribal College Land Grant Institutions has already paid great dividends in terms of increased employment, education, and economic development. Continuation of 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 the land grant concept than the 1994 Land Grant Institutions.

We appreciate your support of the 1994 Tribal College Land Grant Institutions and their role in the Nation's land grant system and we ask you to renew your commitment to help move our students and communities toward self-sufficiency. We look forward to continuing our partnership with you, the U.S. Department of Agriculture, and the other members of the Nation's land grant system—a partnership with the potential to bring equitable educational, agricultural, and economic opportunities to Indian Country.

Thank you for this opportunity to present our funding proposals to the subcommittee. We respectfully request your continued support and full consideration of our fiscal year 2009 appropriations recommendations.

PREPARED STATEMENT OF THE AMERICAN SHEEP INDUSTRY ASSOCIATION

The American Sheep Industry Association (ASI) is a federation of state member associations representing 70,000 sheep producers in the United States. The sheep industry views numerous agencies and programs of the U.S. Department of Agriculture as important to lamb and wool production. Sheep industry priorities include expanding sheep operations and inventory by strengthening the infrastructure of the industry primarily through the programs of USDA, APHIS, Veterinary Services and Wildlife Services, as well as targeted research and education being critical. The industry and the benefits to rural communities will be strengthened by fully funding critical predator control activities, national animal health efforts, and expanding research opportunities.

We appreciate this opportunity to comment on the USDA fiscal year 2009 budget.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

Scrapie

The American Sheep Industry Association believes that the administration's request of $17.487 million is an inadequate level of funding if scrapie eradication is to be achieved in the reasonably near future. ASI urges the subcommittee to increase the funding for scrapie eradication by at least $11.2 million beyond the administration's request for a total of $28.687 million in fiscal year 2009.

Scrapie is one of the families of transmissible spongiform encephalopathies (TSEs), all of which are the subject of great importance and interest around the globe. USDA/APHIS, along with the support and assistance of the livestock and allied industries, began an aggressive program to eradicate scrapie in sheep and goats 4 years ago. The plan USDA/APHIS is implementing is designed to eradicate scrapie by 2010. Through a subsequent monitoring and surveillance program, the United States could be declared scrapie-free by 2017. Becoming scrapie-free will have significant positive economic impact to the livestock, meat and feed industries and, of course, rid our flocks and herds of this fatal animal disease. Through a concerted effort, USDA/APHIS, along with industry and State regulatory efforts, is in the position to eradicate scrapie from the United States with a multi-year attack on this animal health issue. As the collective and aggressive efforts of Federal and State eradication efforts have included expanded slaughter-surveillance and diagnostics, the costs are, as expected, escalating.

ASI has made it clear to USDA that the appropriations requests of recent years have been inadequate for successful eradication of scrapie. When the scrapie eradication program was first being implemented in 2000, USDA/APHIS projected the cost to be $170,259,083 over the first 7 years of the 10-year eradication program with a peak in cost at $31,974,354 in the 5 year and projected funding decreasing afterwards. At the end of 2007, $110,283,000 (not counting rescissions) has been spent and peak-year funding was only $18.6 million in 2006 (see exhibit A "Scrapie Funding Comparisons").

The program cannot function properly without sufficient funding for diagnostic support, surveillance, and enforcement of compliance activities that are dedicated to scrapie eradication as an animal health priority. We believe that funding the scrapie eradication program at an appropriate level will help provide for an achievable eradication program and eventually scrapie-free status for the United States. As with the other successful animal disease eradication programs conducted by USDA/APHIS in the past, strong programs at the State level are key. Without strong, appropriately-funded scrapie programs at the State level, eradication will not become a reality. Only a fraction of what USDA/APHIS projected for State scrapie cooperative agreements has been spent. In addition to recommending funding of $28.687 million for fiscal year 2009, we urge the subcommittee to send a clear message to USDA to (A) make scrapie eradication a top disease eradication priority within USDA and the APHIS field staff with a focus on animal identification compliance and enforcement; and (B) increase the slaughter-surveillance numbers so that the disease can be found and dealt with wherever it resides.

Wildlife Services

With well over one-quarter million sheep and lambs lost to predators each year, the Wildlife Services (WS) program of USDA/APHIS is vital to the economic survival of the sheep industry. The value of sheep and lambs lost to predators and predator control expenses are second only to feed costs for sheep production. Costs associated with depredation currently exceed our industry's veterinary, labor and transportation costs.

Wildlife Services' cooperative nature has made it the most cost effective and efficient program within the Federal Government in the areas of wildlife management and public health and safety. Wildlife Services has more than 2,000 cooperative agreements with agriculture, forestry groups, private industry, State game and fish departments, departments of health, schools, county and local governments to mitigate the damage and danger that the public's wildlife can inflict on private property and public health and safety.

ASI requests the subcommittee to eliminate the administration's proposed $2.78 million decrease to Wildlife Services operations for "cost share reduction." Such a reduction would place a larger burden on the livestock industry, as well as county and State government cooperators which already fund far more of the livestock protection programs than does Federal sources. ASI also requests the subcommittee to either eliminate the proposed $5.34 million increase for Wildlife Monitoring and Surveillance and the Oral Rabies Vaccination Program, or increase the budget by that amount. As it stands in the administration budget, the $5.34 million is an unfunded mandate and will require Wildlife Services to redirect the funds from the other operational programs such as livestock protection.

We urge the subcommittee to fund the livestock industry's request for the western region of Wildlife Services operations of livestock protection at $19 million and the eastern region at $3.6 million.

The western region requires an additional $8.3 million to meet the $19 million Federal sourced level of the livestock protection program. Federal funding available for livestock predation management by the Western Region program has remained relatively constant for approximately 16 years. WS program cooperators have been forced to fund more and more of the costs of the program. WS Western Region base funding has increased only 5.6 percent in the past 10 years while cooperative funding has increased 110 percent. This increase has primarily come from individual livestock producers, associations, counties, and States.

The eastern region requires $3.6 million of increased appropriations to meet the need of the eleven states that participate in livestock protection programs with only $878,000 in current funding ($650,000 of which is non-Federal). The $3.6 million needed for the Wildlife Services Eastern Region would help fund livestock predation protection programs in Pennsylvania, Virginia, West Virginia, Mississippi, Minnesota, Michigan, Florida, Ohio, Tennessee, Kentucky, and Wisconsin.

Additionally, new Federal mandates and program investments such as narrowbanding of radios, computer record keeping and compliance with the Endangered Species Act are requiring a larger portion of the already stretched budget and negatively impacting the amount of livestock predation management work that WS can conduct.

We encourage and support continued recognition in the appropriations process for fiscal year 2009 of the importance of aerial hunting as one of Wildlife Services' most efficient and cost-effective core programs. It is used not only to protect livestock, wildlife and endangered species, but is a crucial component of the Wildlife Services rabies control program. ASI is concerned about the recent crash that resulted in two

fatalities and requests the subcommittee to consider including $1 million to replace seven aircraft in the Wildlife Services' fleet that are over 35 years of age.

Similar to the increasing needs in the aerial hunting program, we encourage continued emphasis in the programs to assist with management of wolf depredation in the States of Montana, Idaho, Wyoming, Minnesota, Wisconsin, Michigan, New Mexico and Arizona. Additionally, program expenses are expected in the States surrounding the Montana, Idaho and Wyoming wolf populations. Last year funds were reduced in Montana, Idaho, and Wyoming by 25 percent, and the fiscal year 2009 budget recommends an additional 50 percent reduction. ASI urges the subcommittee to restore the wolf control funds in these three States to the fiscal year 2007 level of $1.5 million. Mexican wolves in Arizona and New Mexico are expanding their ranges and Wildlife Services cannot keep pace with the control requirements. We encourage the subcommittee to provide an additional $500,000 to these two States for control activities. The wolf program of Minnesota, Wisconsin and Michigan was also reduced by 25 percent and needs to be restored to the $1 million annual appropriation.

It is strongly supported that appropriations be provided for $586,000 for additional wolf costs anticipated in Washington, Oregon, Nevada, Utah, Colorado and North Dakota.

WILDLIFE SERVICES METHODS DEVELOPMENT

The sheep industry considers control of canid predation on sheep as a major concern and believes an array of control tools and methodologies, which includes predacides, is critical. Weather conditions, topography, different species of predators, vegetation cover, and government regulations all pose situations in which one tool may not work for a period and another tool must be employed. ASI supports the development of additional tools that are effective in controlling predation. The USDA, APHIS, Wildlife Services, Methods Development Center is currently evaluating a theobromine and caffeine mixture as a possible tool for predation management. The mixture induces mortality in coyotes with minimal pre-mortality symptoms. The mixture is selectively toxic to canids and is present in high concentrations in the extract of tea, coffee, and cocoa plants. Because theobromine and caffeine are readily available to persons and pets, the medical community has developed antidotes. The agency estimates that it will cost $1.5 million to complete field studies and other EPA registration requirements. ASI urges the subcommittee to recommend funding for this research and registration effort in the fiscal year 2009 budget.

FARM AND FOREIGN AGRICULTURAL SERVICES

Foreign Agricultural Service (FAS)

The sheep industry participates in FAS programs such as the Market Access Program (MAP), Quality Samples Program (QSP) and the Foreign Market Development Program (FMD). ASI strongly supports appropriations at the full authorized level for these critical Foreign Agricultural Service programs. ASI is the cooperator for American wool and sheep pelts and has achieved solid success in increasing exports of domestic product. Exports of American wool have increased dramatically with approximately 60 percent of U.S. production now competing overseas.

NATURAL RESOURCES CONSERVATION SERVICE (NRCS)

ASI urges increased appropriations for the range programs of the Soil Conservation Service to benefit the private range and pasture lands of the United States with conservation assistance. We support the budget item and recommend an increased level for the Grazing Lands Conservation Initiative, which ASI has worked jointly with other livestock and range management organizations, to address this important effort for rangelands in the United States.

RESEARCH, EDUCATION AND ECONOMICS

Our industry is striving to be profitable and sustainable as a user of and contributor to our natural resource base. Research, both basic and applied, and modern educational programming is essential if we are to succeed. We have been disappointed in the decline in resources USDA has been targeting toward sheep research and outreach programs. In order for the sheep industry to continue to be more globally competitive, we must invest in the discovery and adoption of new technologies for producing, processing and marketing lamb and wool. We urge the subcommittee to recommend a bold investment in sheep and wool research.

Agricultural Research Service

We continue to vigorously support the administration's funding of research concerning emerging and exotic diseases. Emerging and exotic diseases continue to have significant impact on industry global competitiveness due to animal health and trade issues related to endemic, exotic and wildlife interface disease issues. The continued and expanded support of animal disease research is urgently needed to protect the U.S. livestock industry. Scrapie, the Transmissible Spongiform encephalopathy of sheep, remains an industry priority and we respectively request that the subcommittee urge ARS to continue important research aimed at rapid diagnostic methods and the role of other small ruminants as environmental sources of the TSE agent in transmission of TSEs within the United States and the world to further understand the basis of genetic resistance and susceptibility to this devastating disease.

Due to the extreme importance of Agricultural genomics in enhancing the global competitiveness of sheep production and the recent progress toward acquiring the sheep genome, we respectively request that this initiative be expanded to include sheep genomics. Endemic, exotic and domestic agricultural animal—wildlife interface infectious diseases continue to impose significant impact on the economy of animal agriculture and related food supply. Most recently the presumed infectious disease risk associated with contact between domestic and bighorn sheep has led to significant economic hardship. Genomics represents a unifying tool for many scientific disciplines and is capable of providing research resolutions to the most difficult disease and resulting economic losses. Genomic research efforts should be directed at early determination of which sheep are susceptible to disease and responsible for economic losses. High throughput genomics has ushered in a new era of unifying research regarding the ability to link control of chronic, economically important diseases such as OPPV and important production traits. There are a number of infectious diseases across domestic and wild animals that will benefit from this research focus. It is becoming clear that not all infected animals transmit diseases with equal efficiency; in fact it appears that the "super shedders" are a small portion of an infected population. In addition to aiding in the control of chronic infectious diseases such as OPPV, caseous lymphadenitis and foot rot, control of Big Horn Sheep pneumonia and internal parasitism should be aided by this genomics approach. Early detection of susceptibility and resistance will lead to practical intervention strategies. With this in mind, we respectively request that the subcommittee support a "Genomics Competitive Global Health" initiative by enhancing the ARS, Animal Disease Research Unit's budget by $1 million to use in collaboration with Utah State University, the University of Idaho, the United States Sheep Experiment Station, Dubois and Washington State University. This initiative is to apply the emerging sheep genomic tools to research directed at resolving important disease problems and their resulting economic losses.

Research into Johne's disease has received additional funding through ARS over the past several years with a focus on cattle. Johne's disease is also endemic in the U.S. sheep population and is not well understood as a sheep disease. The same food safety concerns exist in both sheep and cattle; other countries are also very concerned about Johne's in sheep. We urge the subcommittee to send a strong message to ARS that Johne's disease in sheep should receive more attention with an emphasis on diagnostics.

We appreciate and support USDA's strategic goals and note that strategic goal (3) "Enhance Domestic Rural and Farm Economies States in part as follows: Work to expand production and market opportunities for bioenergy and biobased products". In response to this strategic goal of the USDA, we request that the subcommittee recommend $400,000 as a targeted increase for the ARS USDA-Eastern Regional Research Center (ERRC) at Wyndmoor, Pennsylvania to be directed toward research on wool at the molecular level focusing on anti-microbial properties, flame retardation and enhancement of fiber properties through enzyme treatments targeting high priority military needs and other niche market applications for consumers.

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

A virtual map of the sheep genome has recently been completed. The virtual map provides a good low-resolution picture of the sheep genome. It is largely a result of genome mapping efforts (human, bovine, and mouse) and provides a solid starting place for a higher resolution sequence of the sheep genome. A more complete sheep genome sequence is now essential because, as expected, there are significant inconsistencies in the virtual map that will hinder the use of SNPs in animal or population evaluations. The USDA Animal Genomics Strategic Planning Task Force recently released a "Blueprint for USDA Efforts in Agricultural Animal Genomics". In

this document, it is stated: . . . sheep . . . should have a high quality draft genome sequence (approximately 6X). This level of genome sequence quality is necessary for accurate functional genomics studies as well as comparative analyses". By investing in sequencing the sheep genome now, the United States helps insure our competitive position in the global marketplace for sheep, wool and their products. We urge the subcommittee to remind USDA/CSREES that sheep genome sequencing should be a high priority for the National Research Initiative (NRI) competitive grants program.

The Minor Use Animal Drug Program has had great benefit to the U.S. sheep industry. The research under this category is administered as a national program "NRSP–7" cooperatively with FDA/CVM to provide research information for the approval process on therapeutic drugs that are needed. Without this program, American sheep producers would not have effective products to keep their sheep healthy. We appreciate the administration's request for fiscal year 2009 of $582,000 for this program, and we urge the subcommittee to recommend that it be funded at least at this level to help meet the needs of our rapidly changing industry and increasing costs for research necessary to meet the requirements for approving additional therapeutics for sheep.

On-going funding for the Food Animal Residue Avoidance Databank (FARAD) program is critically important for the livestock industry in general and especially for "minor species" industries, such as sheep, where extra-label use of therapeutic products is more the norm rather than the exception. We urge the subcommittee to recommend that funding be restored for this program at the level of $1.5 million in 2009 to help meet the needs of the animal industries. FARAD provides veterinarians the ability to accurately prescribe products with appropriate withdrawal times protecting both animal and human health as well as the environment.

On-going research to improve value quantification and marketing of wool is critically important to the sheep and wool industry. ASI urges the Subcommittee's support to restore and continue the CSREES special grants program for wool research at least to the level of $298,000 for fiscal year 2009.

The Livestock Marketing Information Center (LMIC) is a unique and very effective cooperative effort. This is not a state specific effort; it operates as a national virtual "Center of Excellence" for Extension education, research, and public policy. Members of the LMIC represent 26 Land Grant Universities, 6 USDA agencies, and a variety of associate institutions. In conjunction with the USDA's Economic Research Service (ERS), this cooperative effort started in the mid-1950's. This effort is an integral part of U.S. livestock marketing and outlook programs for cattle, hogs, sheep, dairy and poultry. Demands on the LMIC staff continue to increase from other USDA agencies, Land Grant Universities, State governments, commodity associations and directly from producers. We strongly support funding be continued at least at the previously funded level (2006) of $194,000 for the Livestock Marketing Information Center (LMIC) in fiscal year 2009. The coordinating office for this national Land Grant University directed effort is located in Lakewood, Colorado. As in the past, line-item funding should be directed through the USDA CSREES.

FOOD AND DRUG ADMINISTRATION, CENTER FOR VETERINARY MEDICINE

The Minor Use & Minor Species Animal Health Act of 2004 included a provision to make competitive grants available to fund studies to support new animal drug approval for new animal drug products for minor use and minor species indications that have already obtained "designated" status. This grants program parallels the human orphan drug grants program. The final rule became effective October, 2007 for the administration of this program. All drugs labeled for sheep fall under the minor-use category, therefore this program should be very helpful to our industry. ASI appreciates the administration's request of $1 million for this program and we urge Congress' support.

EXHIBIT A—SCRAPIE FUNDING COMPARISONS

Year	APHIS projections in 2000	Funds received by APHIS [1]
2000	.....	$12,991,000
2001	$6,310,778	3,024,000
2002	20,000,000	9,122,000
2003	20,438,943	15,373,000
2004	30,056,592	15,607,000
2005	31,974,354	17,768,000

EXHIBIT A—SCRAPIE FUNDING COMPARISONS—Continued

Year	APHIS projections in 2000	Funds received by APHIS [1]
2006	30,794,507	17,911,000
2007	26,994,991	18,487,000
2008	26,994,991	17,980,000
2009	26,994,991	.....

[1] Does not count rescissions.

Prepared Statement of the Federation of American Societies for Experimental Biology

The Federation of American Societies for Experimental Biology (FASEB) is grateful for the opportunity to submit testimony for the record in support of the vital research programs of the United States Department of Agriculture (USDA). FASEB comprises 21 scientific societies representing more than 80,000 life science researchers, and our mission is to advance biological science through collaborative advocacy for research policies that promote scientific progress and education and lead to improvements in human health. FASEB enhances the ability of biomedical and life scientists to improve—through their research—the health, well-being and productivity of all people.

Greater investment in basic and applied agricultural research is essential, as threats proliferate and demands for a more nutritious food supply continues to increase. The USDA funds research through its intramural arm, the Agriculture Research Service (ARS), and competitive grants program, the National Research Initiative (NRI). The ARS support allows optimization of the competitive funds offered through the NRI by providing essential research facilities via its research centers across the country. These symbiotic programs provide the infrastructure and continuous generation of new knowledge that allow for rapid progress towards meeting national needs.

A recent report by the Economic Research Service (ERS) found "strong and consistent evidence that investment in agricultural research has yielded high returns per dollar spent" citing mean rates of returns of 53 percent.[1] However, our Nation's investment in agricultural research has been declining (Figure 1), threatening our ability to sustain the vitality of our research portfolio. The NRI has not yet reached even half of its initial authorization of $500 million, and ARS funding has been waning. Continuation of this neglect will inevitably undermine the success of the USDA's research programs. Thus it is imperative that the breadth and competitive nature of the NRI portfolio be maintained and expanded to ensure our Nation's excellence in agricultural research and the well-being of all Americans.

[1] Fuglie, KO and Heisey PW. (2007) Economic returns to public agricultural research. USDA Economic Research Service, Economic Brief #10. http://www.ers.usda.gov/Publications/EB10/

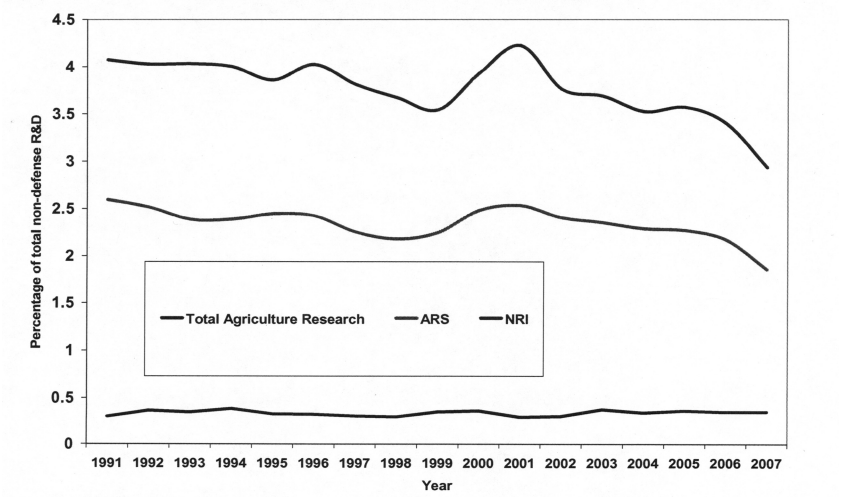


FIGURE 1.—*Research at the USDA has been declining in relation to total Federal spending on non-defense research & development (R&D), putting our competitive portfolio of agricultural research at serious risk.*

Agriculture and the research which advances it remain of crucial importance to our economy and quality of life. Research supported by USDA contributes to our understanding of the nutrition that underlies our health; it protects human life and our food supply from pandemic disease and introduced pathogens; it allows us to respond quickly to emerging issues like Colony Collapse Disorder or foot-and-mouth disease; and has led the way in development of bioenergy resources. Below are a few examples of the important contributions resulting from USDA-funded research.

Human Nutrition, Health, and Policy

Nutrition is the foundation upon which human and animal health is built, and whose mysteries fascinate the American people like no other aspect of science. This is perhaps most evident in the daily news stories that seek to uncover the optimal diet required to maximize health or minimize risk of disease. Research has identified the critical role that nutrition plays in a myriad of health conditions, from cancer to heart disease to diabetes. Perhaps the most striking evidence of the importance of nutrition to health is the alarming increase in the rates of obesity in this country, especially in children and adolescents. Further research is essential as we seek to understand the causes, both innate and environmental, of this public health crisis.

The USDA is uniquely positioned to conduct nutrition and food-related research because of its singular perspective on the entire food system, from crop to livestock to food supply to human consumption. No other agency has the capacity to understand the connections among food, the food supply and its production, and the health of our Nation. Through its research programs, the USDA is making the connection between what we eat and the healthfulness of our lifestyle.

—*Folate and Colon Cancer.*—Folate, a B-complex vitamin, is strongly implicated in the prevention of colorectal cancer. It has been estimated that the risk of developing colorectal cancer in people consuming the largest amounts of dietary folate is 30–40 percent lower than in people consuming less folate. NRI-supported scientists are investigating the mechanisms by which differences in folate intake can protect against cancer and other diseases, which may provide evidence for increasing the Dietary Reference Intake values for folate. This is a necessary first step in developing effective public health measures which would use folate as a cancer preventive measure and improve the health of the Nation.

—*Obesity.*—Our country is facing a rising storm of health problems related to increasing rates of obesity, in both adults and children, including diabetes, hypertension, and heart disease. The direct and indirect costs of obesity represent a $100 billion annual burden on the U.S. economy. The USDA is funding cutting

edge research at universities across the Nation, where scientists are examining genetic and metabolic factors that influence obesity, including the balance of protein, fat, and carbohydrate, dietary calcium and milk intake, the roles of the hormones leptin and ghrelin, as well as the effects of conjugated linoleic acid, and new and genetically modified foods. Unique research projects linked to dietary interventions are being carried out in rural towns in three States in the West, in African American communities in the South, and in Native American communities.

—*Functional Foods for Disease Prevention.*—Antioxidants have been shown to be of primary importance in preventing age-related disease and health problems, including cancer and coronary heart disease, two of our Nation's leading causes of death. USDA-funded scientists are working to develop functional foods, rich in antioxidants, which could provide nutritional benefit while protecting against disease. Scientific data suggests that processing of wheat could maximize the antioxidant capacity of this cornerstone of our food supply. Researchers have developed a processing procedure to enhance the antioxidant availability in wheat-based food ingredients that involves no chemical or organic solvents and generates no waste. These processing procedures require no special equipment or operation and may be easily scaled up for commercial production.

Safety of Our Food Supply

Over the past year, our national attention has focused on food safety and the security of our food supply. The research programs of the USDA are at the forefront of developing new technologies to protect our food supply and discovering new ways to detect and neutralize threats to our crops, livestock, and food products. Research activities range from food-borne illnesses to microbial resistance to food processing safety to biosecurity at our borders. Moreover, projects funded by NRI and ARS are addressing concerns not only related to our domestic supply of foods, but also those items that we import from international partners. As the United States forges new ties and reinforces existing relationships in our increasingly global economy, it becomes even more critically important to ensure agricultural research is delivering the knowledge to protect our citizens and the foods they eat.

—*International Food Safety.*—Concerns have been raised about the safety of food products and goods imported from other Nations. Researchers at the University of Minnesota are setting up models to examine the role of the role of imported food products in the local and global dissemination of food-borne pathogens. Using epidemiological data, these models will enable development of intervention to reduce the risk of disease outbreaks due to food imports. Meanwhile, another team of NRI-funded scientists is developing edible food sensors, made of luminescent nanoparticles. These tiny sensors will be able to screen foods for a host of safety and quality issues, from presence of bacteria and toxins to pH, in a rapid, easy-to-use and inexpensive manner.

—*Preventing Salmonella Outbreaks.*—The multibillion dollar American poultry industry loses 10 to 15 percent of its potential income to disease annually. Additionally, microbes that infect poultry represent a major human health risk, particularly Salmonella which causes over one million cases of illness and results in 500 deaths in the United States each year. Using sophisticated DNA technologies, USDA-funded scientists are identifying the genes related to disease resistance and response in poultry. Understanding the genetic basis for the immune response to Salmonella and other diseases may lead to breeding of disease-resistant birds, as well as vaccine development.

—*Biohazard Detecting Cloth.*—Through use of nanotechnology, NRI-funded scientists at Cornell University have created a cloth that has the ability to detect bacteria, viruses, and other biohazards. When the cloth contacts a contaminant or hazardous substance, a dye is released, providing a rapid response test that allows visualization of the threat with the naked eye. This has applications in detecting foodborne diseases at food preparation or manufacturing sites, screening for bioterror agents like anthrax, and even confirmation that operating rooms or medical facilities are clear of pathogens.

Responding to Emerging Threats

When beekeepers across the country began to report the alarming and mysterious loss of 50–90 percent of bees from their hives, the USDA took the lead in mobilizing research resources to find the source of what is now know as Colony Collapse Disorder (CCD). This is only one example of how a unique and emerging agricultural threat can swiftly challenge our Nation's economy, health or food supply. A new outbreak of foot and mouth disease in Europe, the looming specter of pandemic avian flu, and the continuing threat of mad cow disease all illustrate the need for the re-

search resources required to address new and emerging pathogens and diseases. Only with an adequately funded agriculture research infrastructure can our Nation be prepared to react and rapidly counter threats to our health and food supply.

—*Virus Implicated in Colony Collapse Disorder.*—Scientists funded by the USDA have recently announced discovery of a virus that may be linked to Colony Collapse Disorder (CCD), which has decimated bee colonies across the country. Bees are essential for the pollination of nearly 100 fruit and vegetable crops worldwide, and play an integral role us U.S. agricultural products representing an estimated economic value of more than $14.6 billion. Identification of Israeli Acute Paralysis Virus (IAPV) as a marker for CCD is a breakthrough step in solving this major agricultural problem. The USDA has also announced a strategic CCD Research Action Plan which will focus, among other things, on ways to improve the general health of bees to reduce their susceptibility to IAPV, CCD, and other disorders.

—*Avian Influenza.*—Avian influenza is a threat to both the multibillion dollar U.S. poultry industry and to human health. A major challenge in dealing with this disease is being able to differentiate between infected birds and vaccinated birds, as well as to be able to rapidly differentiate between different strains of avian flu. Through DNA microarray technology, USDA funded scientists are developing fast and accurate tests that will be cost effective for producers and allow more rapid response to outbreaks of avian influenza worldwide.

Bioenergy and Climate Change

Bioenergy has the potential to not only reduce our dependence on foreign oils but to provide a clean, sustainable fuel source that may help mitigate global climate change. The USDA funds research projects that produce science-based knowledge and technologies supporting the efficient, economical, and environmentally friendly conversion of biomass, specifically agricultural residuals, into value-added industrial products and biofuels. Furthermore, USDA-funded research is responding to the issue of climate change by contributing to our understanding of the causes and effects of this phenomenon and how to best protect our natural resources. Agricultural and forestry resources are vitally important to both our development of biobased resources and our ability to address the threat of climate change. As such, agricultural research is essential to addressing these national priorities.

—*From Switchgrass to Biofuels.*—Switchgrass has great potential to be a major biofuel source for the United States—it grows quickly, is readily adaptable to diverse conditions, and it efficiently captures the energy of the sun, converting it to cellulose which can be used as a clean alternative fuel source. Unlike other crops, we know very little about the genetics of switchgrass, information that is critical for enhancing breeding and maximizing the potential of this important bioenergy crop. University of Georgia scientists, funded by the NRI, are creating a genetic resource library and mapping out genetic traits that will allow producers to select lines with higher biofuel potential.

—*Cost effective Biodiesel.*—Biodiesel is a clean burning and renewable fuel produced from plant oils and animal fats. Unfortunately, biodiesel is currently expensive to produce because of high feedstock costs, high manufacturing costs, and the requirement to dispose of a low-purity glycerol byproduct. NRI-funded researchers are seeking ways to improve the biodiesel production process and develop alternative approaches for the byproduct glycerol. Through use of sophisticated distillation technologies and catalysts, they are developing manufacturing process that will lower the costs of producing biodiesel, lead to a better-quality biodiesel product that exceeds current standards, reduce waste formation, and eliminate the troublesome by-product.

—*Predicting the Effects of Climate Change.*—Global climate change is likely to affect the croplands on which we are dependent for food. At the USDA's Rainfall Manipulation Plots facility, researchers are able to alter temperature and precipitation over grasslands to simulate estimated climate change outcomes. These long-term studies are providing invaluable information on how crops will react to complex ecosystem changes associated with climate change. Understanding the impact of this phenomenon can greatly enhance the ability of producers and policymakers to prepare for or mitigate negative effects.

A Vision for the Future

The focus on agricultural research resulting from reauthorization of the Farm Bill presents a unique opportunity to strengthen and enhance our national system of agricultural research.

—*National Institute of Food and Agriculture.*—FASEB fully endorses the establishment of a National Institute for Food and Agriculture (NIFA), within the

USDA, dedicated to funding competitive, peer-reviewed basic research in agriculture. This is an unparalleled opportunity to enhance our system of supporting high quality, fundamental research, allowing advancement of current knowledge and bolstering the superiority of American agriculture. However, in order to ensure success of such an endeavor, NIFA must be fully funded, in contrast to the current trend of underfunding that has plagued current agricultural research programs.

The United States is Best Served Through Investment in Agricultural Research

From the critical basic research supported at universities throughout the Nation to the important work carried out by the Human Nutrition Research Centers, USDA research programs deserve to be supported at the highest level possible. We must maintain and magnify the breadth and competitive nature of the agricultural research portfolio, to ensure the United States' economic vitality and the well-being of all Americans.

FASEB FEDERAL FUNDING RECOMMENDATION

FASEB supports funding the USDA's National Research Initiative Competitive Grants Program in fiscal year 2009 at the $257 million level recommended in the President's 2008 budget and the Agricultural Research Service at $1.377 billion, which restores the fiscal year 2005 level, adjusted for inflation.

PREPARED STATEMENT OF THE AMERICAN SOCIETY FOR MICROBIOLOGY

The American Society for Microbiology (ASM) appreciates the opportunity to submit testimony in support of increased appropriations for the Food and Drug Administration (FDA) for fiscal year 2009. The ASM continues to believe that the FDA budget request is below the amount required to ensure that public health is protected through research and science based regulatory activities. The FDA regulates products worth nearly $1.5 trillion annually, about 20 percent of consumer spending in the United States. Repeated reports of contaminated or otherwise defective foods and other products, both domestic and imported over the past year, illustrate the crucial need for a strong FDA.

The administration's proposed fiscal year 2009 FDA budget requests nearly $2.4 billion, a net increase of $130 million, or 5.7 percent over fiscal year 2008. The request includes $1.77 billion in budget authority and $628 million as industry user fees. The budget plan funds a full time equivalent staff increase of 526, a much needed addition to the FDA's over extended workforce. It also includes funding increases earmarked for food safety activities and for medical product safety and development, identified by the Agency as two priority initiatives for fiscal year 2009.

The ASM believes that greater investment in the FDA is required and recommends that Congress increase the FDA budget by $375 million.

Challenges confronting FDA, such as rapidly changing new product technologies, recently led Agency leadership to solicit a year long evaluation of the science underlying the FDA's broad sweeping directive to safeguard consumers. Released last November, the study report decries the deteriorating state of FDA science and calls for a doubling of agency funding over the next 2 years, conclusions supported by the ASM and others concerned by chronic shortages in FDA budgets and personnel. The report, FDA Science and Mission at Risk, found that the number of appropriated personnel in 2007 was roughly the same as 15 years earlier. It describes 20 unfortunate years of fiscal neglect, during which 123 additional statutes have been enacted increasing the FDA's already heavy workload.

As the Nation's scientific regulatory agency, the FDA must stay at the leading edge of science and technology. In 2007, U.S. consumers purchased roughly $2 trillion worth of imported products from 825,000 importers, shipped into the country through more than 300 ports of entry, elements of the inexorable shift toward economic globalization. The FDA assures the safety, efficacy, and security of many of these products, including human and animal drugs, biological products, medical devices, and more. Its mission also encompasses regulating vast numbers of domestic products and most of the Nation's food supply, educating the public with accurate, science based information, and encouraging innovation in medicines and other goods for public consumption. Each year, FDA review prompts multiple recalls of unacceptable or fraudulent products. The agency also evaluates an impressive list of new products, which last year included approved treatments for HIV infection, breast cancer, and hemophilia.

Protecting America's Food Supply

The proposed fiscal year 2009 FDA budget allocates $662 million for food protection activities, a $42.2 million increase over fiscal year 2008, in part to support the Protecting America's Food Supply initiative to improve FDA efforts against foodborne illnesses. In November 2007, the FDA presented its new food protection plan, coordinated with the just released strategic plan of the Interagency Working Group on Import Safety. Using a risk based approach to identify potential threats to the food supply before problems arise, the FDA food protection plan will emphasize early intervention and reprioritize food safety issues to better utilize limited agency resources. The budget increase also will help facilitate new agreements just reached with China that address import safety issues, two Memoranda of Agreement on food, feed, drugs and medical devices signed last December.

From production to consumption, the life cycle of the U.S. food supply typically involves a series of processes, facilities, and human handlers, opening multiple opportunities for contamination and foodborne illnesses. Outbreaks associated with fresh leafy greens and packaged dairy are recent examples. Last year, peanut butter contaminated with Salmonella bacteria in the processing plant sickened more than 300, hospitalizing at least 50 patients and forcing costly recalls. In March 2007, the FDA released its Final Guidance for Safe Production of Fresh-Cut Fruits and Vegetables as one step to address the growing problem of microbial contamination of fresh produce. In fiscal year 2008, Federal economists expected U.S. agricultural imports to reach a record $75 billion. Food imports have risen sharply in the past 5 years, increasing by over 10 percent a year at twice the historical rate of import growth. Rising food imports and other factors guarantee that problems will persist and the FDA must heighten its vigilance over the Nation's food supply.

In January 2007, the Government Accounting Office (GAO) designated the Federal oversight of food safety as a high risk area for the first time, warning that related Federal programs are "in need of broad-based transformation" to reduce risks to public health and to the economy. In its evaluation report, the GAO pointed out that the FDA, responsible for regulating about 80 percent of the U.S. food supply, receives only about 24 percent of Federal expenditures for food safety inspection. Each month, FDA field inspectors reject hundreds of import shipments deemed filthy, decomposing, contaminated with drug residues, or otherwise unfit. Unfortunately, inspectors evaluate roughly 1 percent of the estimated 9 million food and food ingredient shipments entering the United States annually, as staff shortages coincide with rapidly expanding import numbers.

In 2006, the FDA's Center for Food Safety and Applied Nutrition (CFSAN) regulated an estimated $417 billion worth of domestic food and $49 billion worth of imported food, as well as $60 billion in cosmetics and $18 billion in dietary supplements. The $182 million proposed for CFSAN in fiscal year 2009 is an increase of $10 million over fiscal year 2008 and includes an additional 31 full-time employees, for a total of 811 FTEs to handle the workload. Increases for CFSAN also will target five areas for improvement: preventing contamination, prevention through mitigation, import enhancements, surveillance, and prevention through research.

Modernizing Medical Product Safety and Development

Under the administration's fiscal year 2009 proposal, the FDA's Medical Product Safety and Development initiative receives an additional $17.4 million to enhance the safety of human and animal drugs, blood, human tissues, and medical devices. The broad ranging initiative will address both imported products and the need for more new product innovation among U.S. industries. The proposed budget increase also will help implement the Food and Drug Administration Amendments Act enacted by Congress last year that sets new requirements for FDA food, drug and medical device programs. The budget increase will be distributed among the FDA centers and field activities specifically assigned oversight of human drugs, biologics, animal drugs and feeds, medical devices and radiological health, or toxicological research. Current programs need additional funding for modernizing laboratories, hiring more field staff, and improving import safety. The total fiscal year 2009 budget authority proposed for initiative related programs is $887 million, to be supplemented by $21.5 million in user fees.

The recently released report on FDA science provides compelling arguments that the FDA regulatory system responsible for this initiative is overloaded and underfunded. The importance of a fully funded FDA is clear, based on the statistics. In 2006, the Center for Devices and Radiological Health (CDRH) regulated manufacturers with sales of $110 billion. The Center for Drug Evaluation and Research (CDER) oversaw $275 billion in pharmaceutical sales, 2,500 U.S. manufacturers, and 2,500 foreign manufacturers. The Center for Biologics Evaluation and Research (CBER) typically reviews more than 800 new products every year. The Center for

Veterinary Medicine is responsible for products tied to more than 10 billion food producing animals, 200 million pets, and more than 90,000 manufacturers.

Each year, the FDA reviews new products and evaluates questionable consumer goods under its huge mandate to protect and improve public health. In 2007, the agency's field force investigated pet food contaminated by tainted wheat gluten imported from China, with more than 100 brands of food recalled by manufacturers. The FDA also approved a unique 2 hour blood test that marks a significant advance in rapidly detecting drug-resistant staph infections. CDER approved a total of 88 new products, including the first drug to treat all degrees of Alzheimer's disease and a new breast cancer drug that can replace a current one poorly tolerated by many patients. It also approved or tentatively approved 682 new, less costly generic drugs, a 33 percent increase over the previous year. This February, FDA advisors endorsed a new formula for next year's flu vaccine that, unlike most years' vaccines, would include all new influenza virus strains. Through its CBER programs, the FDA improves donated blood supplies by assessing additional testing as needed, in fiscal year 2007 approving screening tests for West Nile virus, Chagas disease, and early detection of hepatitis C virus and HIV–1.

ASM Recommendation for the FDA in Fiscal Year 2009

The FDA already regulates more than 375,000 facilities worldwide in nearly 100 countries. The volume of FDA regulated imports has doubled over the past 5 years. Approximately 15 percent of the U.S. food supply is imported and for some items like seafood and fresh fruit, market share reaches 60 to 80 percent. If current market trends persist, the beleaguered agency's workload will continue to expand rapidly inside the United States and elsewhere. It is essential that FDA science capabilities, research and field personnel, and infrastructures also expand to meet these challenges. Although the administration has proposed an increase of $130 million for the fiscal year 2009 budget for the FDA, this budget increase is still inadequate. The ASM believes the FDA could use a $375 million increase based on the professional judgment budget of the FDA Science Board. We believe the Science Board Report has provided a sound basis for the allocation of new resources for the food supply, biological sciences with emphasis on drug safety, science reorganization, scientific capability including training and a visiting scientist program, and information technology.

PREPARED STATEMENT OF THE AMERICAN SOCIETY FOR MICROBIOLOGY

The American Society for Microbiology (ASM) is pleased to submit the following testimony on the fiscal year 2009 appropriation for the U.S. Department of Agriculture (USDA) research and education programs. The ASM is the largest single life science organization with more than 42,000 members. The ASM mission is to enhance the science of microbiology, to gain a better understanding of life processes, and to promote the application of this knowledge for improved health and environmental well-being.

Agricultural research is vitally important for the improvement of animal and plant health, food safety, and the environment. In the September 2007 report, "Economic Returns to Public Agriculture Research," the USDA Economic Research Service (ERS) reviewed over 35 economic studies of the social rate of return to investments in agriculture. The report shows the average rate of return on public investment in agriculture research is 45 percent per every dollar invested. These returns are shared by all levels of the agricultural continuum, from producers to consumers.

The ASM is concerned with the President's fiscal year 2009 funding proposal for the National Research Initiative (NRI). The NRI is the USDA's competitive, peer-reviewed grants program that supports extramural research. USDA research efforts in food safety, animal disease, alternative fuels, the environment, and other strategic areas are producing tangible returns on Federal investments. Although the fiscal year 2009 proposal provides an increase of $67 million over fiscal year 2008, it directs $61 million of the increase to the transferred integrated programs and biofuel research, providing the NRI with an actual increase of only $6 million for its base programs if the integrated programs are flat funded.

We urge Congress to provide a 10 percent increase for the NRI in fiscal year 2009. The ASM recommends $270 million for the NRI in fiscal year 2009. This recommended funding level will provide a 10 percent, or $19 million, increase for the NRI base programs, and cover the directed funding included in the fiscal year 2009 administration request of $42 million for the proposed transfer of integrated programs, and $19 million for bioenergy research.

The ASM is also concerned with the President's fiscal year 2009 requested 10 percent cut for the Agricultural Research Service (ARS) from fiscal year 2008. The ARS is USDA's primary intramural research program, which conducts research to develop practical solutions to agricultural problems of high national priority including fundamental, long-term, high-risk research that the private sector will not do. The ASM urges Congress to provide at least $1.185 billion for the ARS in fiscal year 2009, the same level as fiscal year 2008.

Food Safety

Strong support for the NRI and ARS is needed to provide the fundamental research essential to creating efficient and effective technologies for the protection of human health and improving the safety of agricultural products. This research is critical to developing the interventions needed to substantially reduce the 76 million cases of foodborne illness in the United States that occur each year. Changes in society, technology, our environment, and microorganisms themselves are affecting the occurrence of foodborne bacterial, viral, and mycotic diseases. For example, E. coli O157 first emerged in the 1980s and spread through complex ecologies to contaminate a growing variety of foods. Multi-drug resistant Salmonella are a growing challenge to human and animal health. Infections of animals like anthrax, leptospirosis, and brucellosis can spread to humans by direct contact and by less obvious routes. Microbial adaptation is leading to the introduction through animals and foods of new or previously unrecognized human pathogens.

According to the Centers for Disease Control and Prevention (CDC), approximately 76 million people suffer from foodborne disease per year, and in 2006, approximately 1,250 foodborne disease outbreaks were reported. Investment in research is necessary for improving the identification of these pathogens, for developing a better understanding of the pathways by which these pathogens make people and animals sick, and using this information to improve prevention. Additionally, research finds ways to develop and evaluate better methods for surveillance, investigation, and prevention.

As microbes adapt, there is concern that some food-borne bacterial pathogens may become resistant to certain antimicrobial agents. It is necessary to have continued support for antimicrobial resistance monitoring programs, such as the National Antimicrobial Resistance Monitoring System (NARMS) and the Collaboration on Animal Health Food Safety Epidemiology (CAHFSE) program to generate data that will guide the development of appropriate interventions in the food production chain to minimize and contain antimicrobial resistant bacterial pathogens in the food supply.

Through the Food and Drug Administration (FDA), the Food Safety and Inspection Service (FSIS) and the Animal and Plant Health Inspection Service (APHIS), the government is ensuring the Nation's food quality, providing safety interventions, and contributing to pathogen reduction. The ASM supports the President's fiscal year 2009 requested increases for FSIS and APHIS of 2 percent and 6.3 percent above fiscal year 2008, respectively.

In addition to greater investment in research, it is important that the USDA collaborate with other agencies, such as the CDC, FDA, NIH, EPA, and NSF to ensure that the best research is funded and contributes to the food safety strategies of all the Federal agencies.

Bio-Based Products

Agricultural research is a critical component of discovering biobased products such as polymers, lubricants, solvents, composites, and energy. The ARS and NRI address research related to biobased products that focuses on developing biofuels and bioenergy; better, more efficient, and environmentally friendly agricultural materials; bio-based products that replace petroleum-based products; and new opportunities to meet environmental needs. These efforts include developing, modifying, and utilizing new and advanced technologies to convert plant and animal commodities and by-products to new products and by developing energy crops as well as new crops to meet niche market opportunities. Microbial research is essential to understanding and creating efficient biomass conversion and production methods, to developing new crops from which environmentally friendly and sustainable products such as paints and coatings can be made, and to producing fuels and lubricants, new fibers, natural rubber, and biobased polymers from vegetable oils, proteins, and starches.

Most of the world's energy needs are currently met through the combustion of fossil fuels. With projected increases in global energy needs, more sustainable methods for energy production must be developed, and production of greenhouse gases will need to be reduced. There is continued need for fundamental microbial research that will improve biomass characteristics, biomass yield, and sustainability; energy

sources that are environmentally friendly and renewable; and that will enhance our understanding of the impact that removing biomass for energy and other products has on the sustainability of soils and water.

As the development and use of biofuels and bioenergy expands, other aspects of food production will be affected such as increased corn prices for livestock production and decreased exports of agricultural commodities. The ASM urges the USDA to expand further research programs on alternative bioenergy production such as cellulose-based fermentation that would identify new resources and methods that would not compete with the food system. These fermentation methods will require increased investment in identifying and understanding novel microbial pathways for cellulosic degradation.

Greater support for the NRI and ARS is essential to address the challenges of the emerging biobased products industry with programs that support research, development, and demonstration. The ASM also encourages greater collaboration between and support for the USDA and the Department of Energy (DOE) Office of Science on biomass research.

Genomics

The Microbial Genome Sequencing Program has been supported jointly by the NRI and the National Science Foundation (NSF) since fiscal year 2001. The program supports high-throughput sequencing of the genomes of microorganisms and the development and implementation strategies, tools, and technologies to make currently available genome sequences more valuable to the user community. The availability of genome sequences provides the foundation for understanding how microorganisms function and live, and how they interact with their environments and with other organisms. The sequences are available to and used by the investigator community to address issues of scientific and societal importance including: novel aspects of microbial biochemistry, physiology, metabolism, development and cellular biology; the diversity and the roles microorganisms play in complex ecosystems and in global geochemical cycles; the impact that microorganisms have on the productivity and sustainability of agriculture and natural resources (e.g., forestry, soil and water), and on the safety and quality of the Nation's food supply; and the organization and evolution of microbial genomes, and the mechanisms of transmission, exchange and reshuffling of genetic information. This genomic information is also important for the development of new strategies for converting cellulosic biofuel materials into useful and cost-effective energy sources.

In fiscal year 2008, as a result of a reduction in funding by the NSF, this program received a 30 percent cut, to a total of $10 million. The ASM urges Congress to increase support for the USDA genomics initiative to restore it to full funding.

Soil Processes

Since soil sustainability is intrinsically linked to the microbial health of the soil, and the health of soil can directly affect its ability to filter and clean water, a greater understanding of soil microbiology is essential to ensuring sustainability and protecting the Nation's natural resources, soil, water, and the food supply.

The NRI is currently supporting research that will potentially lead to an effective treatment to entrap, remove, or inactivate cryptosporidia oocysts, which persist in soil and water. Cryptosporidia are a potentially fatal protozoan that infects humans, livestock, and wildlife. When an effective control system is developed, it may prove to be effective in dealing with a variety of pathogens, including Salmonella, enteric parasites, and viruses. The ASM urges Congress to increase support for the NRI to continue and expand on opportunities in soil processes research that are critical for human and animal health and environmental well-being.

Conclusion

The ASM urges Congress to increase research funding for the USDA. The ASM is concerned that we are losing ground in the important field of agricultural research. Research in the biological and agricultural sciences is vital to the Nation's ability to meet current and future challenges ranging from the food supply and safety, to cost-effective solutions for energy and environmental challenges.

The ASM appreciates the opportunity to provide written testimony and would be pleased to assist the subcommittee as it considers the fiscal year 2009 appropriation for the USDA.

PREPARED STATEMENT OF THE AMERICAN SOCIETY FOR NUTRITION (ASN)

The American Society for Nutrition (ASN) appreciates this opportunity to submit testimony regarding fiscal year 2009 appropriations for the U.S. Department of Ag-

riculture (USDA) and specifically, its research programs. ASN is the professional scientific society dedicated to bringing together the world's top researchers, clinical nutritionists and industry to advance our knowledge and application of nutrition to promote human and animal health. Our focus ranges from the most critical details of research to very broad societal applications. ASN respectfully requests $1.377 billion for ARS, with $120 million of the total allocated to the Human Nutrition Research program. We request $257 million for the National Research Initiative in fiscal year 2009.

Basic and applied research on nutrition, food production, nutrient composition, food processing and nutrition monitoring is critical to American health and the U.S. economy. Awareness of the growing epidemic of obesity and the contribution of chronic illness to burgeoning health care costs has highlighted the need for improved information on dietary intake and improved strategies for dietary change. Demand for a safer and more nutritious food supply continues to increase. Preventable chronic diseases related to diet and physical activity cost the economy over $117 billion annually, and this cost is predicted to rise to $1.7 trillion in the next 10 years. Nevertheless, funding for food and nutrition research at USDA has not increased in real dollars since 1983! This decline in our national investment in agricultural research seriously threatens our ability to sustain the vitality of food, nutrition and agricultural research programs and in turn, threatens the future of our economy and the health of our Nation.

USDA historically has been identified as the lead nutrition agency and the most important federal agency influencing U.S. dietary patterns. Through the nutrition and food assistance programs, which form roughly 60 percent of its budget, USDA has a direct influence on the dietary intake (and ultimately the health) of millions of Americans. It is important to better understand the impact of these programs on the food choices, dietary intake, and nutritional status of those vulnerable populations which they serve. Research is the key to achieving this understanding, and it is the foundation upon which U.S. nutrition policy is built.

USDA is in full or in part responsible for the development and translation of federal dietary guidance, implementation of nutrition and food assistance programs and nutrition education; and, national nutrition monitoring. The USDA Human Nutrition Research programs ensure nutrition policies are evidence-based, ensure we have accurate and valid research methods and databases, and promote new understanding of nutritional needs for optimal health.

ARS Human Nutrition Research Program

USDA has built a program of human nutrition research, housed in six centers (HNRCs)[1] geographically disperse across the Nation and affiliated with the ARS, which links producer and consumer interests and forms the core of our knowledge about food and nutrition. These unique centers are working closely with a wide variety of stakeholders to determine just how specific foods, food components, and physical activity can act together during specific life-stages (e.g. prior to conception, in childhood, in older adult years) to promote health and prevent disease. The HNRCs are a critical link between basic food production and processing and health, including food safety issues. The center structure adds value by fully integrating a multitude of nutritional science disciplines that cross both traditional university department boundaries and the functional compartmentalization of conventional funding mechanisms.

An important basic premise of research in the HNRCs is that many chronic diseases, such as diabetes and obesity, can be prevented by lifestyle issues, the most important of which are: consuming appropriate amounts of a well-balanced, healthful diet; and regularly engaging in adequate levels of physical activity. Using state-of-the-art facilities and a concentration of critical scientific teams, the HNRCs are conducting the highest quality translational research. Also of importance are the long-term experiments involving the derivation of dietary reference intake values and nutrient requirements of individuals. Often compared to the intramural program at the National Institutes for Health, these centers tackle projects that are unlikely to be funded through other means, such as through competitive grants or by industry.

The proposed 10 percent cut to ARS in fiscal year 2009, coupled with flat-funding of the Human Nutrition Research program for over 5 years, seriously jeopardizes the future of the centers, their important research projects, and the critical infra-

[1] Of the six HNRCs, three are fully administered by ARS and are located in Davis, CA, Beltsville, MD, and Grand Forks, ND. The other three are administered through cooperative agreements with Baylor University Medical Center in Houston, TX; Tufts University in Boston, MA; and, the University of Arkansas in Little Rock.

structure provided by the USDA from which the HNRCs and scientists benefit. Specifically, the President has proposed eliminating the center located at Grand Forks, ND. We are concerned about the proposed elimination of this center, as it represents the only HNRC that (1) is located in a major agricultural area; (2) focuses on research in rural areas, where obesity and its co-morbidities, as well as food insecurity, are most prevalent; and (3) partners with Native American communities and tribal colleges to address obesity, diabetes, heart disease and depression in high-need, under-served communities. At a time when the health of our Nation, especially its youth, faces significant challenges largely associated with nutrition and physical activity, we cannot afford to lose any of our HNRCs. In fact, $9 million in additional funds is needed across the six HNRCs to ensure they can continue current research projects and to restore purchasing power lost to inflation over years of flat budgets.

ASN supports the inclusion of $12.2 million in the President's fiscal year 2009 budget proposal for health and obesity prevention research to address the efficacy of the healthful eating and physical activity patterns set forth in the Dietary Guidelines in preventing obesity in the U.S. population. However, funding for this research should not come at the expense of other important ARS nutrition research programs. Rather, this funding should be in addition to that which is allocated to existing research programs.

Another example of the unique nutrition research at ARS is the nutrition monitoring program, "What We Eat in America" (WWEIA). This program allows us to know not only what foods Americans are eating, but also how their diets directly affect their health. Information from the survey guides policies on food safety, food labeling, food assistance, military rations, pesticide exposure and dietary guidance. In addition to having an impact on billions of dollars in federal expenditures, the survey data leverages billions of private sector dollars allocated to nutrition labeling, food product development and production. Despite this, WWEIA has been flat-funded at $11.5 million for over 12 years. The USDA budget for WWEIA must be increased two-fold to $23 million. Otherwise, we risk losing this national treasure if we do not restore lost funding and strengthen it for the future.

National Research Initiative competitive grants program

The National Research Initiative (NRI) funds cutting-edge, investigator-initiated agricultural research, supporting research on key issues of timely importance on a competitive, peer-reviewed basis. The NRI aims to improve the Nation's nutrition and health through two objectives: (1) to focus on improving human health by better understanding an individual's nutrient requirements and nutritional value of foods; and (2) to promote research on healthier food choices and lifestyles. Projects funded by the Human Nutrition and Obesity program are leading to a better understanding of the behavioral and environmental factors that influence obesity, and to the development and evaluation of effective interventions. For example, NRI grants have funded nutrition education interventions focusing on the reduction of childhood obesity in low-income families.

Despite an initial authorization of $500 million per year, funding for the NRI has yet to reach $200 million, and less than $20 million was available in 2007 for the Human Nutrition and Obesity program. If America is to maintain the most nutritious, most affordable, and safest food supply in the world, funding levels need to be increased towards the NRI's authorized amount, lest continued neglect undermine the success of these valuable programs. The breadth and competitive nature of the NRI portfolio should be maintained and expanded to ensure this critical investigator-initiated research continues to improve the health of all Americans.

The NRI and the Human Nutrition Research Program under ARS are symbiotic programs that provide the infrastructure and generation of new knowledge that allow for rapid progress towards meeting national dietary needs. These programs allow USDA to make the connection between what we grow and what we eat. And through strategic nutrition monitoring, we learn more about how dietary intake affects our health.

ASN thanks your Committee for its support of the ARS and the NRI Competitive Grants Program in previous years. If we can provide any additional information, please contact Mary Lee Watts, ASN Director of Public Affairs, at (301) 634–71112 or mwatts@nutrition.org.

PREPARED STATEMENT OF THE AMERICAN SOCIETY OF AGRONOMY, CROP SCIENCE SOCIETY OF AMERICA, AND SOIL SCIENCE SOCIETY OF AMERICA

Dear Chairman Kohl, Ranking Member Bennett and Members of the Subcommittee, The American Society of Agronomy, Crop Science Society of America, and Soil Science Society of America (ASA–CSSA–SSSA) are pleased to submit the following funding recommendations for fiscal year 2009. ASA–CSSA–SSSA understand the challenges the Senate Agriculture Appropriations Subcommittee faces with the tight agriculture budget for fiscal year 2009. We also recognize that the Agriculture Appropriations bill has many valuable and necessary components, and we applaud the efforts of the subcommittee to fund mission-critical research through the USDA-Cooperative State, Research, Education and Extension Service as well as its intramural research portfolio funded through the Agricultural Research Service. We are particularly grateful to the subcommittee for funding the National Research Initiative at $191 million in the fiscal year 2008 Omnibus Appropriations bill. For the Agricultural Research Service salaries and expenses, ASA–CSSA–SSSA recommend a funding level of $1.124 billion for fiscal year 2009, a 7 percent increase over the President's recommended fiscal year 2009 ($1.037 billion) funding level and 8.4 percent above fiscal year 2008 enacted. ASA–CSSA–SSSA also recommend a total funding level of $46.752 million (the fiscal year 2008 enacted level) for ARS Buildings and Facilities which would prevent closure of the 11 ARS facilities. For the Cooperative State Research, Education and Extension Service, we recommend a funding level of $753 million, a 5 percent increase over fiscal year 2008 ($688 million). We recommend funding levels stay at $3.4 billion for the Natural Resources Conservation Service in fiscal year 2009. Specifics for each of these and other budget areas follow below.

With more than 25,000 members and practicing professionals, ASA–CSSA–SSSA are the largest life science professional societies in the United States dedicated to the agronomic, crop and soil sciences. ASA–CSSA–SSSA play a major role in promoting progress in these sciences through the publication of quality journals and books, convening meetings and workshops, developing educational, training, and public information programs, providing scientific advice to inform public policy, and promoting ethical conduct among practitioners of agronomy and crop and soil sciences.

AGRICULTURAL RESEARCH SERVICE

ASA–CSSA–SSSA applaud the Agricultural Research Services' (ARS) ability to respond quickly and flexibly to rapidly changing national needs. With more than 22 National Programs, ARS and its 2,100 scientists located at 100 research locations, including a few international facilities, works to ensure that Americans have reliable, adequate supplies of high-quality food and other agricultural products. ARS accomplishes its goals through scientific discoveries that help solve problems in crop and livestock production and protection, human nutrition, and the interaction of agriculture and the environment. Therefore, ASA–CSSA–SSSA strongly oppose the President's fiscal year 2009 proposal to cut ARS funding for salaries and expenses to $1.037 billion, further reducing funding by $91 million (−8 percent from fiscal year 2008 enacted −$1.128 billion), as well as the elimination of 11 ARS facilities totaling more than 354 staff years (more than 4 percent of fiscal year 2008 total staff years), an approximate cut of $33.5 million. These ARS facilities including—Brawley, CA; Brooksville, FL; Watkinsville, GA; Morris, MN; Grand Forks, ND; Coshocton, OH; East Lansing, MI: Lane, OK; University Park, PA; Weslaco, TX; and Laramie, WY—conduct research critical to the development and transfer of solutions to agricultural problems of high national priority and provide information access and dissemination 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. ASA–CSSA–SSSA urge the subcommittee to act judiciously and not implement such drastic funding cuts for this critical intramural research agency. For total Agricultural Research Service budget funding, ASA–CSSA–SSSA recommend a funding level of $1.124 billion for fiscal year 2009, a 7 percent increase over the President's recommended fiscal year 2009 ($1.05 billion) funding level and 8.4 percent above fiscal year 2008 enacted.

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

ASA–CSSA–SSSA are very concerned with the downward trend in funding for the research component of CSREES's Strategic Objective 6.2: Enhance Soil Quality to

Maintain Productive Working Cropland, which as has seen funding cut from $34.53 million in fiscal year 2007 to $30.293 in fiscal year 2008, a 12.3 percent decrease! Further, ASA–CSSA–SSSA strongly oppose the president's proposal to cut this important research program by an additional 15.4 percent (−$4.67 million) in fiscal year 2009, bringing funding down to $25.62 million.

Hatch and McIntire-Stennis Formula Funding

ASA–CSSA–SSSA understand that the shift of earmarked funds to Hatch formula funding (Hatch formula funding reached a record $322.6 million) and McIntire-Stennis (McIntire-Stennis was funded at $30 million) which occurred in fiscal year 2007, would and did not occur again in fiscal year 2008, with funding reduced to $195 million for Hatch and $25 million for McIntire-Stennis. Nevertheless, the need has never been greater to enhance funding for Hatch and McIntire-Stennis formula funding if we are to maintain the research capacity at our Nation's Land Grant Universities and Colleges of Agriculture necessary to keep American agriculture competitive. Therefore, ASA–CSSA–SSSA strongly oppose the President's fiscal year 2009 budget proposal, which further recommends cuts to both Hatch (to $139 million, a decrease of $56.6 million from 2008 enacted) and McIntire-Stennis (down by $5.3 million to $19.5 million from 2008). ASA–CSSA–SSSA proposes a 10 percent increase in fiscal year 2009 funding levels from fiscal year 2008 levels for Hatch (bringing funding to $215 million) and McIntire-Stennis ($27 million) programs in order to keep America agriculture competitive.

ASA–CSSA–SSSA also oppose the administration's proposal to change the methodology for distributing Hatch formula funds, where 70 percent of funding ($98.3 million) versus 25 percent in fiscal year 2008 will be directed towards a multistate, competitively awarded grants program. As well, we oppose the administration's proposal to change the methodology for distributing McIntire-Stennis formula funds where 67 percent of funding ($13.1 million) versus 25 percent in fiscal year 2008 will be directed towards the multistate, competitively awarded grants program. Such drastic changes would be detrimental to the entire USDA research portfolio. Because of their timing and potential regional and intra-state impacts, much of the infrastructure needed to conduct competitively funded research could be compromised if formula funds were to be redirected as proposed, and could irreparably damage programs housed at each land-grant university. This would mean a huge and potentially damaging loss of national infrastructure to conduct agricultural research. The private sector depends heavily on the agricultural technology and training provided by the U.S. land grant system, and the impact of such a drastic transfer of formula funds to a competitive grants program would affect not only the viability of U.S. industry but also the health and survival of millions of people across the globe. Moreover, investments in formula funded research show an excellent annual rate of return.

Cooperative Extension Service

Extension forms a critical part of research, education and extension program integration, the hallmark of CSREES which is not seen in other agencies. Unfortunately, the Smith Lever 3(b) and 3(c) account has been flat-funded (in constant dollars, this account has seen a gradual erosion in funding), in recent years. ASA–CSSA–SSSA support $474 million (an increase of $17.6 million or 4 percent over fiscal year 2008 enacted, and $42.2 million or 10 percent over the president's fiscal year 2009 recommendations) for the continuing education and outreach activities of the Extension System. Specifically, ASA–CSSA–SSSA support $300 million for Smith-Lever Formula 3(b) & (c), an increase of $26.8 million or 10 percent over fiscal year 2008 enacted.

National Research Initiative

ASA–CSSA–SSSA strongly endorse the President's proposed fiscal year 2009 budget increase of $66 million for the National Research Initiative Competitive Grants Program (NRI) which would bring total funding for this important research program to a record $257 million in fiscal year 2009. However, we do not support the President's proposal to transfer Hatch funding or $42.3 million in funding from Sec 406 (Integrated Research, Education, and Extension program) into the NRI. This transfer may result in the loss of critical programs such as the Organic Transitions Program. ASA–CSSA–SSSA do support the administration's proposal to include additional funding of $19 million for the Departments' bioenergy and biobased fuels research initiative.

ASA–CSSA–SSSA request that any new monies appropriated for the NRI, as requested by the administration, allow the Secretary the discretion to apply up to 30 percent towards carrying out the NRI integrated research, extension and education competitive grants program.

Sustainable Agriculture Research and Education Programs.—ASA–CSSA–SSSA applaud the subcommittee for the 17 percent increase in fiscal year 2008 SARE funding; however we oppose the administration's request to cut funding for SARE by more than $5.2 million. At a minimum, the subcommittee should continue to fund SARE at the fiscal year 2008 enacted level of $14.4 million.

Organic Farming Transition Program.—ASA–CSSA–SSSA urge the subcommittee to fund the Organic Farming Transition Program at $5.0 million in fiscal year 2009, rejecting the President's proposed transfer of the program.

Indirect Costs.—ASA–CSSA–SSSA applaud the administration's proposal to eliminate the indirect cost cap on the NRI which will broaden its appeal by putting the NRI on equal footing with other Federal competitive grants programs such as those of NSF and NIH. However, we are concerned that new funding was not provided to cover this change, which would effectively result in either fewer grants being awarded, or actual research monies reduced.

Agrosecurity.—ASA–CSSA–SSSA endorse the administration's request ($2.0 million) for the Agrosecurity Curricula Development, which we consider to be a critical new initiative. Recent security threats facing America require new and expanded agricultural research to protect our Nation's natural resources, food processing and distribution network, and rural communities that will secure America's food and fiber system.

Higher Education.—ASA–CSSA–SSSA urge the subcommittee to fund the Institution Challenge Grants at $6.7 million which will restore some of the funding lost due to the 2006 rescission and 2007 Continuing Resolution. We applaud the administration's budget request of $4.4 million for the Graduate Fellowships Grants.

NATURAL RESOURCES CONSERVATION SERVICE

Conservation Security Program

The Conservation Security Program provides financial and technical assistance to producers who advance the conservation and improvement of soil, water, air, energy, plant and animal life, and other conservation purposes on Tribal and private working lands. Since 2004, over 22.4 million collective acres of soil management activities have resulted in an increase of over 11 millions tons of carbon sequestration on over 22.4 million collective acres. ASA–CSSA–SSSA urge the subcommittee to fund this important working lands conservation program as an uncapped mandatory program, as intended in the 2002 Farm Bill legislation.

Environmental Quality Incentives Program

The Environmental Quality Incentives Program provides technical assistance to eligible farmers and ranchers to address soil, water, air, and related natural resource concerns on their lands in an environmentally beneficial and cost-effective manner. ASA–CSSA–SSSA oppose the president's proposed $201 million cut which would bring total funding for EQIP down to $1.05 billion.

MARKETING AND REGULATORY PROGRAM

Animal and Plant Health Inspection Service

In a strengthening global economy, it is essential the government take action to prevent disease transference from non-native soils. ASA–CSSA–SSSA endorse the President's proposed increase of the Plant and Disease Exclusion program to $398 million.

Bioenergy

Impacts from increased biofuel production will not only impact soil and water resources, but also agricultural markets. Therefore ASA–CSSA–SSSA commend the President's proposed increase of $0.4 million for the Economic Research Service and $1.8 million for the National Agricultural Statistics Service to study the potential effects and monitoring of biofuel expansion.

A balance of funding mechanisms, including intramural, competitive and formula funding, is essential to maintain the capacity of the United States to conduct both basic and applied agricultural research, improve crop and livestock quality, and deliver safe and nutritious food products, while protecting and enhancing the Nation's environment and natural resources. In order to address these challenges and maintain our position in an increasingly competitive world, we must continue to support research programs funded through the Agricultural Research Service and Cooperative State Research, Education, and Extension Service. Congress must enhance funding for agricultural research to assure Americans of a safe and nutritious food supply and to provide for the next generation of research scientists. According to the USDA's Economic Research Service (Agricultural Economic Report Number

735), publicly funded agricultural research has earned an annual rate of return of 35 percent. This rate of return suggests that additional allocation of funds to support research in the food and agricultural sciences would be beneficial to the U.S. economy. We must also continue support for CSREES-funded education programs which will help ensure that a new generation of educators and researchers is produced. Finally, we need to ensure support for CSREES-funded extension programs to guarantee that these important new tools and technologies reach and are utilized by producers and other stakeholders.

As you lead the Congress in deliberation on funding levels for agricultural research and conservation, please consider American Society of Agronomy, Crop Science Society of America, and Soil Science Society of America as supportive resources. We hope you will call on our membership and scientific expertise whenever the need arises. Thank you for your thoughtful consideration of our requests. For additional information or to learn more about the American Society of Agronomy, Crop Science Society of America and Soil Science Society of America (ASA–CSSA–SSSA), please visit www.agronomy.org, www.crops.org or www.soils.org or contact ASA–CSSA–SSSA Director of Science Policy Karl Glasener (kglasener@agronomy.org, kglasener@crops.org, or kglasener@soils.org).

PREPARED STATEMENT OF THE ANIMAL WELFARE INSTITUTE

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)/ANIMAL WELFARE ACT (AWA) ENFORCEMENT

Administration Request—$21.522 Million—SUPPORT

Over the past decade, the Committee has responded to the urgent need for increased funding for the Animal Care program (AC) to improve its inspections of more than 14,000 sites, including commercial breeding facilities, laboratories, zoos, circuses, and airlines, to ensure compliance with AWA standards. AC now has 105 inspectors, compared to 64 inspectors at the end of the 1990s. In 2006, they conducted more than 20,000 inspections, involving over 1 million animals in research facilities alone. This budget request of $21,522,000 will sustain the progress that has been made, as well as enable AC to hire more inspectors to handle its burgeoning responsibilities as the number of licensed/registered facilities continues to increase.

APHIS/INVESTIGATIVE AND ENFORCEMENT SERVICES

Administration Request—$13.694 Million—SUPPORT

APHIS' Investigative and Enforcement Services division is essential to meaningful enforcement of the AWA. Among other things, it investigates alleged violations of the AWA and undertakes appropriate enforcement action. Of the $13,694,000 for IES in the President's budget, $725,000 will be used to improve enforcement of federal animal welfare laws. The volume of animal welfare cases is rising significantly as new facilities become licensed and registered and AC is able to conduct more inspections.

AGRICULTURAL RESEARCH SERVICE/NAL/ANIMAL WELFARE INFORMATION CENTER (AWIC)

Administration Request—$0 OPPOSE NEEDED—$1.8 Million Line Item

It is disturbing that the President's budget proposes elimination of the Animal Welfare Information Center. This would be a serious mistake that would adversely impact the welfare of animals used in research—and the quality of the research produced using animals. AWIC's services are vitally important to the Nation's biomedical research enterprise because they facilitate compliance with specific requirements of the federal animal welfare regulations and policies governing animal-related research.

In fact, the AWIC was established by Congress under the Improved Standards for Laboratory Animals Act (the 1985 amendment to the Animal Welfare Act) to serve as a clearinghouse, training center, and educational resource for institutions using animals in research, testing and teaching. The Center is the single most important resource for helping personnel at more than 1,200 U.S. research facilities meet their responsibilities under the AWA. Supported by a modest funding level, its services are available to all individuals at these institutions, including cage washers, animal technicians, research investigators, attending veterinarians, Institutional Animal Care and Use Committee (IACUC) representatives and the Institutional Official.

AWIC provides data on alleviating or reducing pain and distress in experimental animals (including anesthetic and analgesic procedures), reducing the number of

animals used for research where possible, identifying alternatives to the use of animals for specific research projects, and preventing the unintended duplication of animal experiments. The Center collects, updates, and disseminates material on humane housing and husbandry, the functions and responsibilities of IACUCs, animal behavior, improved methodologies, psychological well-being of primates, and exercise for dogs.

There is general consensus between the biomedical research industry (including the National Association for Biomedical Research) and the animal welfare community about the need for increased funding. A number of individuals representing these disparate interests have endorsed the request for $1.8 million in funding for AWIC, see ttp://www.awionline.org/pdf/Senate_AG_AWIC_SignOnMar08.pdf. The AWIC helps to improve the conduct of research, including the care provided to the animals who are used, thereby ensuring a reduction in variables that might skew the research. Better science is the end result.

The AWIC website (http:www.nal.usda.gov/awic) is one of the most accessed sites at the NAL, with over 4 million hits in fiscal year 2007, a 10 percent increase over fiscal year 2006. It provides valuable information on issues of importance not only to the science community but also to the agriculture and public health communities, including BSE and avian influenza, two of the top areas of inquiry for visitors to its website. In fiscal year 2007, in addition to hundreds of millions of kbytes of information downloaded from the website, more than 70,000 hard copies, paper and CD, were distributed as well. In fact, the number of CDs distributed increased 46 percent between fiscal year 2006 and fiscal 2007. AWIC staff provided over 1,300 personal reference services. They conducted 10 formal "IACUC 101" training workshops. Twenty-five exhibitions and/or presentations were conducted at such venues as the 6th World Congress on the Use of Animals in Research, Teaching, and Testing (Japan 2007), American Association for Laboratory Animal Science (AALAS) annual meeting, Society of Neuroscience, New Jersey Association for Biomedical Research, American Veterinary Medical Association, International Conference on Environmental Enrichment, American Association for the Advancement of Science and, Scientists Center for Animal Welfare meetings, and the Public Responsibility in Medicine and Research annual meeting.

We greatly appreciate Congress' past support for AWIC to carry out its programs. Given its indispensability not only to assisting with compliance with the AWA but also to providing up-to-date information on a range of issues, from BSE to primate enrichment, that are critical to the scientific and agricultural communities, we recommend that AWIC be listed as a separate line item. We urge Congress to reject ARS' attempt to eliminate AWIC. On the contrary, it is essential to provide an appropriation of $1.8 million in fiscal year 2008 for desperately needed expansion to meet growing demand for AWIC's expertise on two fronts.

First, as evidenced by the findings of an Office of Inspector General (OIG) audit, "APHIS Animal Care Program Inspection and Enforcement Activities," there has been an increase in apparent violations of the AWA by research facilities over the past few years. There appears to be a significant problem with the oversight of IACUCs and the audit recommends training for IACUC members. In response to this need, we are requesting funds to allow AWIC to do the following:

—Continue to conduct workshops at locations around the country rather than being limited to conducting them only from the Center's base in Maryland.

—Hold a symposium on AWA requirements for IACUC nonaffiliated members (i.e., members from the community charged with representing the communities' concerns for the welfare of the animals).

—Work with Animal Care more closely to identify and assist those licensees and registrants that are cited for AWA violations most frequently.

Second, increased funding is also necessitated by the expansion of AWIC's mandate to include the broader industry regulated under the Animal Welfare Act: animal dealers, carriers and handlers, zoos and other exhibitors. Other topics covered by the Center include animal diseases, animal models, animal training, and environmental enrichment for all species. Animal Care's veterinary medical officers and animal care inspectors are able to utilize the full range of services provided by the AWIC to better fulfill their responsibilities. The AWIC also works closely with both Animal Care and with Emergency Veterinary Services on emerging crises such as the highly pathogenic Avian Influenza. The Center is focused on transmissible spongiform encephalopathy, exotic Avian Newcastle disease, tuberculosis, West Nile Virus and microbacterial diseases.

Among other endeavors, the $1.8 million would be used as follows: To support the addition of two much-needed positions whose jobs would be to expand the content of the Center's database and make it more user-friendly and searchable; exhibitions at major scientific conferences, including underserved areas of the country; work-

shops, in conjunction with Animal Care, to assist licensees and registrants frequently cited for AWA violations; informational workshops at research institutions across the country and locally at the Center; training for the NAL staff; acquisition of, including electronic access to, data; and the overhead that must be provided to the Agricultural Research Service and the National Agricultural Library.

It is ironic that at the same time as the administration calls for eliminating AWIC, it seeks additional funding for the Agricultural Network Information Center (AgNIC), which provides "quick and reliable access to quality agricultural information and sources" and in which AWIC is a key partner and participant. The budget also proposes to improve information services for veterinary practitioners, but, by zeroing out AWIC, it in fact deprives those same veterinary practitioners—from those who treat companion animals and farm animals to those who are responsible for the welfare of research animals—of a vital and heavily utilized resource.

Overall, ARS seeks "an increase of $1 million for the continued improvement and expansion of products and services delivered by the National Agricultural Library . . ." In fulfilling its Congressional mandate, AWIC serves this purpose effectively and efficiently and meets Performance Measure 2.1, which requires that the services and collections of the NAL continue to meet the needs of its customers. AWIC's value to the research community, other entities that must comply with the Animal Welfare Act, and the general public justifies not elimination but rather this modest proposed increase in its budget and its designation as a separate line item in the budget.

APHIS/ANIMAL CARE'S ENFORCEMENT OF THE HORSE PROTECTION ACT (HPA)

Administration Request—$499,000—Support

Additional Request of $251,000, plus a one-time infusion of $1 million

More than 35 years ago Congress adopted the HPA, yet soring of Tennessee Walking Horses continues to be a widespread problem. Soring is defined by APHIS as "the application of any chemical or mechanical agent used on any limb of a horse or any practice inflicted upon the horse that can be expected to cause it physical pain or distress when moving." Horses are sored to produce an exaggerated gait, which is considered attractive by certain sectors of the equestrian community, despite the pain it causes to the horses in question.

The most effective method to reduce soring and the showing of sored horses are to have Animal Care (AC) inspectors present at the shows where sored horses are exhibited to enforce the HPA (under which civil and criminal penalties may be assessed). Oftentimes, as soon as an AC inspector arrives at such a show, there is a rush to put horses back into trailers and haul them away so that any signs of soring cannot be detected. If the likelihood that an AC inspector will show up increases significantly, this will have a huge deterrent effect on those who routinely sore their horses. Yet AC was able to attend just 32 of 865 events in fiscal year 2004 (the last year for which we have comprehensive figures)—less than 4 percent of all shows.

In fact, lack of financial support has made it necessary for Animal Care to rely heavily on the Tennessee Walking Horse industry to assume responsibility for enforcement of the HPA. This is the very same industry that created the need for the HPA and has turned a blind eye to compliance with the law since its passage in 1970. Under the Act "Designated Qualified Persons" (DQPs) are assigned by USDA as "inspectors" from industry to assist AC in identifying sored horses and pursuing action against the individuals who are responsible. The history of the DQPs reveals their failure to achieve the level of enforcement of the unbiased, well-trained, professional inspectors who work for AC, as illustrated by radically different enforcement rates: In 2004 and 2005, the rate of violations cited at a variety of horse shows was as much as 23 times higher under USDA inspections versus DQP inspections.

According to USDA, in 2005, of the samples taken by a gas chromatography machine (used to test for use of illegal substances to sore horses) at the Kentucky Celebration horse show, 100 percent indicated the presence of diesel fuel or another similar fuel plus numbing agents. Clearly the law is not being taken seriously by the industry.

In September 2006, having ignored repeated warnings from USDA that too many horses were showing signs of soring, organizers eventually canceled the Shelbyville (TN) Celebration, the prestige event in the walking horse industry, after USDA inspectors disqualified seven of the ten finalists because of soring. This was an unprecedented action by AC and is a testament to USDA's commitment to vigorous enforcement of the HPA, despite threats to its inspectors and insufficient resources.

Currently just eighteen individuals are disqualified from exhibiting horses under the HPA. Further, the amount of penalties assessed for violations of the law has dropped to a negligible amount. In addition to increasing the presence of inspectors,

USDA must increase the penalties that it assesses or the industry will continue to defy the law with impunity. Congress should direct USDA to take this step and authorize the funds to enable such enforcement.

An appropriation of at least $750,000 ($251,000 above the amount included in the President's Budget) is essential in fiscal year 2009 to permit AC to increase attendance at shows to ensure compliance with the Horse Protection Act. USDA also needs a one-time allocation of $1 million to purchase additional equipment, such as digital radiography machines to take radiographs of the hoof to detect changes indicative of pressure-shoeing; and algometers, which apply consistent pressure during the examination process. Adding these machines to the inspectors' tools for verifying the use of soring techniques further enhances the objectivity and consistency of the evidence obtained.

STRENGTHENED ENFORCEMENT OF HUMANE METHODS OF SLAUGHTER ACT (HMSA) BY THE FOOD SAFETY AND INSPECTION SERVICE (FSIS)

Congress has provided generous support for enforcement of the HMSA beginning in 2001. Yet a new report, Crimes Without Consequences: The Enforcement of Humane Slaughter Laws in the United States, http://www.awionline.org/farm/humane_slaughter_report.htm, demonstrates the low priority FSIS places on humane treatment of animals at slaughter. Further, it would appear that despite the clear direction that monies should be used to hire new staff to work in the slaughter plants observing the handling, stunning and slaughter of live animals, FSIS has failed to do so. Seventeen veterinarians were hired by FSIS with funding from Congress, but the majority of their time is spent on other tasks.

Animals are suffering needlessly because FSIS is not assigning individuals the sole responsibility of HMSA enforcement and placing them full-time (not full-time equivalent) in the plants where they can remain focused on assuring the welfare of live animals and immediately respond by stopping the line if they observe any apparent violations of the law. Egregious acts are occurring that could be prevented by a solid FSIS presence. Live conscious animals are being shackled, hoisted and cut or rolled into scalding tanks. An inspector in Missouri noted a hog whose feet had been removed, yet the animal was moving and appeared to be gasping for breath. Another inspector in an Arkansas plant noted that: "At approximately 1:00 p.m. [a Holstein cow] had a 1 cm hole in its forehead from a captive bolt stunner. At 1:10 p.m. the cow had not been moved and was breathing regularly. An establishment employee tried to re-stun the animal twice but the hand held captive bold stunner did not fire."

Between 2002 and 2005, only 42 enforcement actions beyond issuances of deficiency reports for noncompliances with humane slaughter laws were taken. Crimes are going undetected, unrecognized or merely unreported—and even in the case of those that are reported, appropriate remedial action may not be taken. For the period October 1, 2006 to September 30, 2007, humane handling and slaughter was the subject of only 1.9 percent of all USDA verification procedures, 0.6 percent of all noncompliance records, and 17 percent of all plant suspensions.

We oppose the installation of cameras in plants as an alternative to the presence of inspectors. Cameras cannot possibly catch all of the activity including the movement of animals off of trucks and through the stunning and slaughter process. Some plants have multiple lines and multiple shifts of employees. Who is going to watch all of the footage? And if violations occur, by the time they are noted it will be too late to help the animals who have already suffered before being killed. This proposal sounds more like a desperate attempt to dupe the public into believing that the problem has been taken care of, rather than a real solution.

Additional funding might permit the hiring of full-time inspectors devoted to ensuring humane treatment of live animals. However, does FSIS have the will? We are gravely concerned that it does not.

PREPARED STATEMENT OF THE COALITION ON FUNDING AGRICULTURAL RESEARCH MISSIONS

The Coalition on Funding Agricultural Research Missions (CoFARM) appreciates the opportunity to submit testimony on the fiscal year 2009 appropriation for the United States Department of Agriculture (USDA). CoFARM is a coalition of 24 professional scientific organizations with over 200,000 members dedicated to advancing and sustaining a balanced investment in our Nation's research portfolio.

The USDA sponsors research and education programs which contribute to solving agricultural problems of high national priority and ensuring food availability, nutrition, quality and safety, as well as a competitive agricultural economy. Agriculture

faces new challenges, including threats from emerging infectious diseases in plants and animals, climate change, and public concern about food safety and security. It is critical to increase the visibility and investment in agriculture research to respond to these challenges. We are concerned that the NRI has suffered from flat funding since fiscal year 2007. We urge the subcommittee to provide a 10 percent increase for the NRI in fiscal year 2009. CoFARM recommends $270 million for the NRI in fiscal year 2009.

This recommended funding level will provide a 10 percent, $19 million, increase for the NRI base programs, and cover the directed funding included in the fiscal year 2009 administration request of $42 million for the proposed transfer of integrated programs, and $19 million for bioenergy research. A 10 percent increase to the NRI will (1) restore funding to this important program; (2) restore lost purchasing power that this erosion of funding has caused; and (3) provide investments that begin to truly meet the food, energy, and environmental challenges facing the Nation.

USDA National Research Initiative Competitive Grants Program

The National Research Initiative Competitive Grants Program (NRI) was established in 1991 in response to recommendations outlined in the report, Investing in Research: A Proposal to Strengthen the Agricultural, Food and Environmental System, by the National Research Council's (NRC) Board of Agriculture. This report called for increased funding by USDA of high priority research through a competitive peer-review process directed at:

—Increasing the competitiveness of U.S. agriculture.
—Improving human health and well-being through an abundant, safe, and high-quality food supply.
—Sustaining the quality and productivity of the natural resources and the environment upon which agriculture depends.

Stakeholders of the research community continue their interest in and support of the NRI, which is reflected in two subsequent NRC reports, Investing in the National Research Initiative: An Update of the Competitive Grants Program of the U.S. Department of Agriculture, published in 1994, and National Research Initiative: A Vital Competitive Grants Program in Food, Fiber, and Natural Resources Research, published in 2000.

Today, the NRI, housed within USDA's Cooperative State Research, Education, and Extension Service (CSREES), supports research on key problems of national and regional importance in biological, environmental, nutritional, physical, and social sciences relevant to agriculture, food, health and the environment on a peer-reviewed, competitive basis. Additionally, NRI enables USDA to develop new partnerships with other Federal agencies that advance agricultural science like its current collaborations between NRI and DOE and NSF.

The NRI funds the most cutting-edge agricultural research within the United States. In the September 2007 report, "Economic Returns to Public Agriculture Research," The USDA Economic Research Service (ERS) reviewed over 35 economic studies of the social rate of return to investments in agriculture. The report shows the average rate of return on public investment in agriculture research is 45 percent or for every dollar spent on agricultural research, the return is approximately $10. These returns are shared by all levels of the industry, from producers to consumers. However, if America is to maintain the most abundant, most affordable, and safest food supply in the world, funding levels need to be increased towards the NRI's authorized amount of $500 million.

Because of the federal investment made since 1991, we have gained valuable new knowledge in areas such as:

Food Safety and Nutrition

—USDA funded competitive research has supported studies to understand incentives for firms to adopt food safety controls and industry response to losses when products are recalled for food safety violations.
—USDA supported scientists identified a safe and effective new sanitizer (SANOVA) that achieved a 5-log reduction of E. coli, Listeria, and Salmonella on produce even in the presence of large organic loads. The researchers optimized sanitation treatment procedures to ensure good quality of shredded carrot and fresh-cut lettuce while maintaining the effective killing power of the sanitizer. This research is critical considering there are approximately 76 million foodborne illness cases in the United States per year and the findings from this research is especially useful to the fresh produce industry as they provide practical information in selecting a suitable sanitizer to maintain microbial safety and quality of fruits and vegetables.

—Iowa State University researchers have studied fatty acid composition in beef and dairy cattle through a NRI funded grant. They have discovered a single nucleotide polymorphism that is correlated to content of C14–O (myristic acid, the most atherogenic of saturated fatty acids) of beef. Thus, the marker in the throesterase domain in fatty acid synthase gene can be used to select for healthier beef.

—University of Illinois scientists are involved with the assessment of general risk posed from transgenic animals, which is important to their future contributions to society. Identification of potentially harmful properties of transgenic livestock is the initial step in a risk assessment. Direct and indirect impacts of potential harmful properties of transgenic livestock are being evaluated at three levels: (1) characterization of how the transgene, the transgene product, and the transgenic livestock behave in their immediate environment, that is, in their barn or pen, (2) determination of possible impacts of large scale release of transgenic livestock, that is, if they were to be integrated into the larger population of food animal livestock, and (3) determination of the more complex environmental and safety consequences of their release into the livestock population. This study will determine whether a mammary specific transgene, bovine a-lactalbumin (Ba–LA) is expressed in tissues other than the mammary gland and whether the transgene (Tg) itself, the transgenic RNA or the transgenic protein cross over into non-transgenic (C) animals under various physiological and physical conditions.

Renewable Energy and Fuels

—In a time of volatile gasoline prices, USDA dollars have helped provide economic and policy analyses for specific renewable energy technologies and will estimate national impacts of certain renewable energy policy alternatives.

—An April 2005 joint study of the U.S. Departments of Energy and Agriculture found that with continued advances in research there will be enough renewable biomass grown in the United States to meet more than one-third of the current demand for transportation fuels in the Nation, without diverting from food crop production.[1] With advances in plant and microbial research, land in every state in the Nation could be used to grow plants that produce clean-burning cellulosic ethanol resulting in decreased dependence on foreign oil, reduction of the trade deficit, reduced emissions of stored greenhouse gases, revitalized rural economies and strengthened national security.

Plant and Animal Health and Well-Being

—Pennsylvania researchers are developing rapid diagnostic tests to curb avian influenza, a disease that could cripple the state's $700 million poultry industry.

—Entomologists and Nematologists developed a vaccine for the protection of cattle from the horn fly, a major insect pest in many parts of the world costing the North American cattle industry alone more than $1 billion annually.

—Iowa State University researchers studied fatty liver syndrome in dairy cattle. They found that daily injections of glucagon can be used to prevent and treat fatty liver in transition dairy cows. A patent has been issued for this technology.

Waste Remediation

—Researchers in Florida have tested a common fern's ability to soak up arsenic, a cancer-causing heavy metal, from contaminated soils. The market for plant-based remediation of wastes is estimated to be $370 million in 2005.

The NRI supports research on key issues of timely importance relevant to agriculture, economics, energy, the environment, food, and nutrition on a competitive, peer-reviewed basis. CoFARM encourages you to help move American agricultural research forward through your strong fiscal support of the USDA NRI program.

We urge you to provide $270 million for the NRI in fiscal year 2009, which will help to continue to boost the American agricultural enterprise and improve our economy by increasing food safety, boosting production, protecting the environment, finding new uses for renewable resources, and enhancing food itself so that food and agricultural systems contribute to a stronger and more healthful society. Research programs in nutrition and food science help to ensure high-quality, safe, and affordable food for consumers, and contribute to the success of a food and agricultural system that creates jobs and income in the United States.

---

[1] "Biomass as Feedstock for a Bioenergy and Bioproducts Industry: The Technical Feasibility of a Billion-Ton Annual Supply, April 2005" http://www1.eere.energy.gov/biomass/pdfs/final__billionton__vision__report2.pdf

CoFARM appreciates the opportunity to provide written testimony and would be pleased to assist the subcommittee as the Department of Agriculture bill is considered throughout the appropriations process. Please contact the Chair, Whitney Tull, at wtull@asmusa.org with any questions.

PREPARED STATEMENT OF THE COLORADO RIVER BASIN SALINITY CONTROL PROGRAM

The Congress concluded that the Colorado River Basin Salinity Control Program (Program) should be implemented in the most cost-effective way. Realizing that agricultural on-farm strategies were some of the most cost-effective strategies, the Congress authorized a program for the United States Department of Agriculture (USDA) through amendment of the Colorado River Basin Salinity Control Act in 1984. With the enactment of the Federal Agriculture Improvement and Reform Act of 1996 (FAIRA), the Congress directed that the Program should continue to be implemented as one of the components of the Environmental Quality Incentives Program (EQIP). 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 the EQIP. Now it is anticipated that Congress will this year with the passage of a new Farm Bill further define how the Colorado River Basin States can cost share in a newly designated "Basin States Program."

The Program, as set forth in the Colorado River Basin Salinity Control Act, is to benefit Lower Basin water users hundreds of miles downstream from salt sources in the Upper Basin as the salinity of Colorado River water increases as the water flows downstream. There are very significant economic damages caused by high salt levels in this water source. Agriculturalists in the Upper Basin where the salt must be controlled, however, don't first look to downstream water quality standards but look for local benefits. These local benefits are in the form of enhanced beneficial use and improved crop yields. They submit cost-effective proposals to the State Conservationists in Utah, Wyoming and Colorado and offer to cost share in the acquisition of new irrigation equipment. The Colorado River Basin Salinity Control Act provides that the seven Colorado River Basin States will also cost share with the Federal funds for this effort. This has brought together a remarkable partnership.

After longstanding urgings from the States and directives from the Congress, the USDA has concluded that this program is different than small watershed enhancement efforts common to the EQIP. In this case, the watershed to be considered stretches more than 1,200 miles from the river's headwater in the Rocky Mountains to the river's terminus in the Gulf of California in Mexico and receives water from numerous tributaries. The USDA has determined that this effort should receive a special funding designation and has appointed a coordinator for this multi-state effort.

In recent fiscal years, the Natural Resources Conservation Service (NRCS) has directed that over $19 million be used for the Program. The Colorado River Basin Salinity Control Forum (Forum) appreciates the efforts of the NRCS leadership and the support of this subcommittee. The plan for water quality control of the Colorado River was prepared by the Forum, adopted by the States, and approved by the United States Environmental Protection Agency (EPA). The Colorado River Basin Salinity Control Advisory Council has taken the position that the funding for the salinity control program should not be below $20 million per year. Over the last 3 fiscal years, for the first time, funding almost reached the needed level. State and local cost-sharing is triggered by the Federal appropriation. In fiscal year 2008, it is anticipated that the states will cost share with about $8.3 million and local agriculture producers will add another $7.5 million. Hence, it is anticipated that in fiscal year 2008 the State and local contributions will be 45 percent of the total program cost.

Over the past few years, the NRCS has designated that about 2.5 percent of the EQIP funds be allocated to the Colorado River salinity control program. The Forum believes this is the appropriate future level of funding as long as the total EQIP funding nationwide is around $1 billion. Funding above this level assists in offsetting pre-fiscal year 2003 funding below this level. The Basin States have cost sharing dollars available to participate in funding on-farm salinity control efforts. The agricultural producers in the Upper Basin are waiting for their applications to be considered so that they might improve their irrigation equipment and also cost share in the Program.

Overview

The Program was authorized by the Congress in 1974. The Title I portion of the Colorado River Basin Salinity Control Act responded to commitments that the United States made, through a Minute of the International Boundary and Water Commission, to Mexico specific to the quality of water being delivered to Mexico below Imperial Dam. Title II of the Act established a program to respond to salinity control needs of Colorado River water users in the United States and to comply with the mandates of the then newly-enacted Clean Water Act. This testimony is in support of funding for the Title II program.

After a decade of investigative and implementation efforts, the Basin States concluded that the Salinity Control Act needed to be amended. The Congress agreed and revised the act in 1984. That revision, while keeping the Department of the Interior as lead coordinator for Colorado River Basin salinity control efforts, also gave new salinity control responsibilities to the USDA. The Congress has charged the administration with implementing the most cost-effective program practicable (measured in dollars per ton of salt controlled). It has been determined that the agricultural efforts are some of the most cost-effective opportunities.

Since Congressional mandates of 3 decades ago, much has been learned about the impact of salts in the Colorado River system. The Bureau of Reclamation (Reclamation) has conducted studies on the economic impact of these salts. Reclamation recognizes that the damages to United States water users alone are hundreds of millions of dollars per year.

The Forum is composed of gubernatorial appointees from Arizona, California, Colorado, Nevada, New Mexico, Utah and Wyoming. The Forum has become the seven-state coordinating body for interfacing with Federal agencies and the Congress in support of the implementation of the Salinity Control Program. In close cooperation with the EPA and pursuant to requirements of the Clean Water Act, every 3 years the Forum prepares a formal report evaluating the salinity of the Colorado River, its anticipated future salinity, and the program elements necessary to keep the salinity concentrations (measured in Total Dissolved Solids—TDS) at or below the levels measured in the river system in 1972 at Imperial Dam, and below Parker and Hoover Dams.

In setting water quality standards for the Colorado River system, the salinity concentrations at these three locations in 1972 have been identified as the numeric criteria. The plan necessary for controlling salinity and reducing downstream damages has been captioned the "Plan of Implementation." The 2005 Review of water quality standards includes an updated Plan of Implementation. In order to eliminate the shortfall in salinity control resulting from inadequate Federal funding for a number of years from the USDA, the Forum has determined that implementation of the Program needs to be accelerated. The level of appropriation requested in this testimony is in keeping with the agreed upon plan. If adequate funds are not appropriated, significant damages from the higher salt concentrations in the water will be more widespread in the United States and Mexico.

Concentrations of salts in the river cause $330 million in quantified damages and significantly more in unquantified damages in the United States and result in poorer quality water being delivered by the United States to Mexico. 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
—increased use of imported water for leaching and cost of desalination and brine disposal for recycled water.

For every 30 mg/L increase in salinity concentrations, there is $75 million in additional damages in the United States. The Forum, therefore, believes implementation of the USDA program needs to be funded at 2.5 percent of the total EQIP funding.

Although the Program thus far has been able to implement salinity control measures that comply with the approved plan, recent drought years have caused salinity

levels to rise in the river. Predictions are that this will be the trend for the next several years. This places an added urgency for acceleration of the implementation of the Program.

State Cost-Sharing and Technical Assistance

The authorized cost sharing by the Basin States, as provided by FAIRA, was at first difficult to implement as attorneys for the USDA concluded that the Basin States were authorized to cost share in the effort, but the Congress had not given the USDA authority to receive the Basin States' funds. After almost a year of exploring every possible solution as to how the cost sharing was to occur, the States, in agreement with Reclamation, State officials in Utah, Colorado and Wyoming and with NRCS State Conservationists in Utah, Colorado and Wyoming, agreed upon a program parallel to the salinity control activities provided by the EQIP wherein the States' cost sharing funds are being contributed and used. We now have several years of experience with that program.

The Salinity Control Act designates that the Secretary of the Interior provide the coordination for the Federal agencies involved in the salinity control program. That responsibility has been delegated to the United States Bureau of Reclamation (BOR). BOR administers the Basin States cost sharing funds that have been used in the Parallel Program. The BOR requested that there be enacted clearer authority for the use of these funds. In response, there is a provision in the Farm Bill now under consideration that would create a "Basin States Program" that will replace the Parallel Program.

With respect to the use of Basin States' cost sharing funds in the past, the Basin States felt that it was most essential that a portion of the Program be associated with technical assistance and education activities in the field. Without this necessary support, there is no advanced planning, proposals are not well prepared, assertions in the proposals cannot be verified, implementation of contracts cannot be observed, and valuable partnering and education efforts cannot occur. Recognizing these values, the "parallel" State cost sharing program has expended 40 percent of the funds available on these needed support activities made possible by contracts with the NRCS.

PREPARED STATEMENT OF THE COLORADO RIVER BOARD OF CALIFORNIA

This testimony is in support of funding for the U.S. Department of Agriculture (USDA) with respect to its on-farm Colorado River Basin Salinity Control Program for fiscal year 2009. 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. With the enactment of the Federal Agricultural Improvement and Reform Act (FAIRA) in 1996 (Public Law 104–127), specific funding for salinity control projects in the Colorado River Basin were eliminated from the Federal budget and aggregated into the Department of Agriculture's Environmental Quality Incentives Program (EQIP) as one of its program components. With that action, Congress concluded that the salinity control program could be more effectively implemented as one of the components of the EQIP.

The Program, as set forth in the act, benefits both the Upper Basin water users through more efficient water management and 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 million of dollars per year due to the River's salinity.

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 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, established numeric criteria in June 1975 for salinity concentrations in the River. These criteria were established to lessen the future damages in the Lower Basin States of Arizona, California, and Nevada, as well as assist the United States in delivering water of adequate quality to Mexico in accordance with Minute 242 of the International Boundary and Water Commission.

The goal of the Colorado River Basin Salinity Control Program is to offset the effects of water resources development in the Colorado River Basin after 1972 as each State develops its Colorado River Compact apportionments. In close cooperation with the U.S. Environmental Protection Agency (EPA) and pursuant to require-

ments of the Clean Water Act (Public Law 92–500), every three years the Forum prepares a formal report analyzing the salinity of the Colorado River, anticipated future salinity, and the program elements necessary to keep the salinity concentrations (measured in Total Dissolved Solids—TDS) at or below the levels measured in the Colorado River system in 1972 at Imperial Dam, and below Parker and Hoover Dams. The latest report was prepared in 2005 titled: 2005 Review, Water Quality Standards for Salinity, Colorado River System (2005 Review). The plan necessary for controlling salinity and reducing downstream damages has been captioned the "Plan of Implementation." The 2005 Review includes an updated Plan of Implementation.

Concentrations of salts in the River annually cause about $376 million in quantified damage in the United States (there are significant un-quantified damages as well). 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 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.

For every 30 milligram per liter increase in salinity concentrations, there are $75 million in additional damages in the United States. Although the Program, thus far, has been able to implement salinity control measures that comply with the approved plan, recent drought years have caused salinity levels to rise in the River. Predictions are that this will be the trend for the next several years. This places an added urgency for acceleration of the implementation of the Program.

Enactment of the Farm Security and Rural Investment Act of 2002 provided an opportunity to adequately fund the Salinity Program within EQIP. The Colorado River Basin Salinity Control Advisory Council has taken the position that the USDA portion of the effort be funded at 2.5 percent of the EQIP funding but at least $20 million annually. Over the past few years, the Natural Resources Conservation Service (NRCS) has designated 2.5 percent of EQIP funds be allocated to the Colorado River Salinity Control program. The Forum suggests that this is an appropriate level of funding as long as it does not drop below $20 million. Funding above this level assists in offsetting pre-fiscal year 2003 funding below this level. The Colorado River Board supports the recommendation of the Forum and urges this subcommittee to support funding for the Colorado River Basin Salinity Control Program for 2009 at this level.

These 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 USDA contracts for implementation of salinity control measures. Over the past years, the Colorado River Basin Salinity Control 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.

In addition, the Colorado River Board recognizes that the Federal Government has made significant commitments to the Republic of Mexico and to the seven Colorado River Basin States with regard to the delivery of quality water to Mexico. In order for those commitments to continue to be honored, it is essential that in fiscal year 2009, and in future fiscal years, that Congress continues to provide funds to USDA to allow it to provide needed technical support to agricultural producers for addressing salinity control in the Basin.

The Colorado River is, and will continue to be, a major and vital water resource to the 18 million residents of southern California as well as throughout the Colorado River Basin. As stated earlier, preservation and improvement of the Colorado River water quality through an effective salinity control program will avoid the additional economic damages to users of Colorado River water in California, Arizona, and Nevada.

PREPARED STATEMENT OF THE COLORADO RIVER COMMISSION OF NEVADA

Dear Chairman Kohl: As a Nevada representative of the Colorado River Basin Salinity Control Forum, the Colorado River Commission of Nevada (CRC) is writing in support of full funding of the Department of Agriculture's fiscal year 2009 appropriations for the Environmental Quality Incentives Program (EQIP) and recommends that this Committee advise the administration that 2.5 percent of the EQIP funds be designated for the Colorado River Basin Salinity Control Program. The CRC believes this is the appropriate future level of funding as long as the total EQIP funding nationwide is around $1 billion.

Salinity remains one of the major problems in the Colorado River. Congress has recognized the need to confront this problem with its passage of Public Law 93–320 and Public Law 98–569. Your support of the current funding recommendations for the Colorado River Basin Salinity Control Program is essential to move the program forward so that the congressionally directed salinity objectives are achieved.

PREPARED STATEMENT OF EASTER SEALS

Easter Seals appreciates the opportunity to report on the notable accomplishments of the USDA Cooperative State Research, Education, and Extension Service (CSREES) AgrAbility Program and request that funding for the AgrAbility Program be increased to $5 million in fiscal year 2009. We are also pleased to request a $2 million appropriation for the Grants for Expansion of Employment Opportunities for Individuals with Disabilities in Rural Areas within USDA Rural Development. We are also pleased to share information about other areas where we support USDA activity to provide services to rural residents with disabilities.

AGRABILITY

What is AgrAbility?

The AgrAbility Program is an essential, unduplicated, hands-on resource for farmers, ranchers, and farmworkers with disabilities and their families. AgrAbility is the only USDA program dedicated exclusively to helping agricultural producers with disabilities. It demonstrates the value of public-private partnership by securing donations of funds, talent, and materials to magnify the impact of a modest Federal investment. The fiscal year 2008 appropriation of $4.759 million is funding 21 projects serving 24 States.

AgrAbility is a program authorized through a provision in the 1990 Farm Bill that provides information and technical assistance to farmers, ranchers, and farmworkers with disabilities. Congress began funding the project in 1991 and has continued to do so each year since. The U.S. Department of Agriculture Cooperative State Research, Education, and Extension Service (CSREES)—a network that links research, science, and technology to meet the needs of people where they live and work—administers the AgrAbility Program. CSREES awards program funds though a competitive grant process to land-grant universities that have partnered with at least one nonprofit disability service provider to provide education and assistance to agricultural workers with disabilities and their families.

A network comprised of a National AgrAbility Project and numerous State AgrAbility Projects provides program services in over half of the States in the U.S. Currently, State-level USDA-funded AgrAbility projects serve clients in: California, Colorado, Delaware, Georgia, Idaho, Indiana, Kansas, Maine, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, Oklahoma, Pennsylvania, Tennessee, Utah, Vermont, Virginia, West Virginia, Wisconsin, and Wyoming. In addition, previously USDA-funded projects in Illinois, Iowa, Kentucky, Louisiana, North Carolina and Texas continue to serve agricultural workers with disabilities and their families.

The National AgrAbility Project partners, University of Wisconsin-Extension, Cooperative Extension Service and Easter Seals, collaborate to support State AgrAbility Project activities. The State projects provide the direct on-site services to farmers, ranchers, and farmworkers with disabilities and other chronic health conditions. AgrAbility Project services are available to people of all races, creeds, genders, abilities, and national origins. The project staff works with operators regardless of the size of their operations or extent of their resources.

Why is AgrAbility Needed?

Agricultural production is hazardous. Over 700 farmers and ranchers die in work-related incidents yearly and another 120,000 workers sustain disabling injuries from work-related incidents (National Safety Council, 2002). In addition, the USDA Na-

tional Agricultural Statistics Service estimates that more than 200,000 farmers, ranchers, and other agricultural workers experience lost-work-time injuries and occupational illnesses every year, approximately 5 percent of which have serious and permanent results. Off-farm incidents; health conditions, such as heart disease, arthritis, or cancer; and aging disable tens of thousands more. Nationwide, approximately 288,000 agricultural workers between the ages of 15 and 79 have a disability that affects their ability to perform one or more essential tasks (Bureau of Labor Statistics, 1999).

Additionally, like their urban counterparts, approximately 20 percent of children and other family members in agricultural families have disabilities, such as cerebral palsy, mental retardation, and epilepsy. Physical and attitudinal barriers often prevent these children and adults from participating fully in farm and ranch operations, and from engaging in social and recreational activities enjoyed by other rural residents.

For most of the over three million Americans earning their livings in agriculture, the work is not just their livelihood—it is their way of life—a productive and satisfying way of life of which they are very proud. This is also true for the majority of people with disabilities or chronic health conditions who work or live in agricultural settings. These people want to find ways to accommodate their disabilities and continue to farm. All too often, however, they are frustrated in their attempts. Rural isolation, limited personal resources, limitations in rural health delivery systems, and inadequate access to agriculture-oriented assistance, are among the obstacles they face.

How Does AgrAbility Help?

The AgrAbility Project offers education and assistance to help identify ways to accommodate disabilities and chronic health conditions, eliminate barriers, and create a favorable climate among rural service providers for people with disabilities. AgrAbility helps to prevent people from being forced out of agriculture because of their disabilities and provides them with ideas for safe, affordable solutions that allow them to maintain their businesses and rural lifestyles.

Who Does AgrAbility Serve?

Farmers, ranchers, and farmworkers involved in all types of production agriculture who have any type of disability (physical, cognitive, or sensory) or chronic health condition may receive services. Family members who have a disability or chronic health condition may also receive assistance.

Who are the AgrAbility Clients?

AgrAbility serves people with all disabilities and people of all ages. Rick Eberhart of Ogema, Wisconsin is a great example. Growing up a city boy, Mr. Eberhart knew farming was in his future thanks to summer visits to his uncle's farm. When a banker told an 18-year-old Eberhart that he wouldn't be able to own a farm unless he had a relative to inherit from, Eberhart took that as a personal challenge to prove the banker wrong.

Eberhart started out with 80 acres that had not been farmed for 18 years. Through hard work, long hours, an off-farm job and sheer determination, Eberhart did prove the banker wrong about his future in farming. However, he's experienced many obstacles on the road to owning his now 137-acre dairy farm.

At a glance, Eberhart appears to have no physical ailments, but nearly 5 years ago, he was diagnosed with a form of Leukemia. Three months later, he received a bone marrow transplant, and doctors gave him a 20 percent chance of survival. At the time of his diagnosis, Eberhart had no energy to perform even the simplest task on his farm; just walking the length of a cattle trailer exhausted him.

After the transplant, he spent 39 days in the hospital and only had about an hour's worth of energy before becoming exhausted after he returned home. Eberhart initially called AgrAbility of Wisconsin when he was diagnosed, but he was very apprehensive. According to Eberhart, "I thought it was just another bunch of people collecting a paycheck." When he came home from the hospital he asked himself why he was beating his head against the wall trying to farm with his physical limitations, and decided to sign up for AgrAbility services.

After being added to the Division of Vocational Rehabilitation's (DVR) waiting list, he was contacted by Carlene Volbrecht, Rural Rehabilitation Specialist for the Easter Seals Wisconsin FARM Program (ESW). "When I was finally contacted, I knew there was a light at the end of the tunnel," Eberhart explained.

Volbrecht and Gwen Steele, a DVR counselor, worked together to find the assistive technology that would work best to help Eberhart with his day-to-day activities. Eberhart's rotational grazing program requires maintaining and moving fence line, as well as collecting cattle from the pasture. He had also developed a higher sensi-

tivity to the weather as a result of his cancer. Thus, Volbrecht suggested a utility vehicle with a cab. After test-driving several models, Eberhart found the Bobcat manufacturer's utility vehicle worked best for entering, exiting, and moving around the farm. Eberhart purchased a silo unloader at an auction to eliminate the need to climb the silo, but was unable to install it himself. With DVR's help, the unloader was professionally installed. DVR also helped Eberhart purchase an electric feed cart. The electric cart decreases the labor required to feed the cattle inside and outside. To further assist Eberhart, a concrete pad will be added to the barnyard. This will allow Eberhart to easily move the feed cart to feed cattle outside.

Bedding cattle required Eberhart to climb into the mow, drop bales into the barn below and shake the straw out by hand. To reduce the amount of energy needed to carry the straw bales and bed, Volbrecht suggested fixing the current bedding chopper and installing cow mats in the barn to reduce the straw needed on a daily basis.

With the help of AgrAbility and DVR, Eberhart found it was easier to complete his daily tasks. Currently, he can work for about three and a half hours before he needs to rest. His goal is to continue to build up his strength so he can work longer hours doing what he has always loved. Eberhart admits, "If it hadn't been for Easter Seals [AAW and DVR], I probably would have given up."

What Services Do AgrAbility Clients Receive?

AgrAbility clients benefit from partnerships between the extension services at land-grant universities and nonprofit disability service organizations. Together members of each AgrAbility Project staff provide clients with direct on-site assistance that includes the following activities.

—Assessing agricultural tasks and providing guidance on how to restructure them to accommodate the clients' disabilities.
—Reviewing agricultural worksites and equipment and making suggestions for modifications.
—Identifying ways to prevent secondary injuries and disabilities.
—Coordinating needed community resources and services by
  —putting them in touch with community volunteers who have the ingenuity and contacts to augment AgrAbility project support;
  —linking them to a network of engineers, health and rehabilitation service providers, agricultural experts, product manufacturers and suppliers, educators, skilled tradesmen, and other rural resources; and
  —helping them access existing services within public agencies, including State vocational rehabilitation agencies and assistive technology centers, to maximize benefits available to them.
—Referring individuals and family members to and facilitating participation in peer support groups.

How Does Collaboration Benefit Clients?

The AgrAbility projects build collaborations with State offices of vocational rehabilitation, State assistive technology projects, and farm and community business organizations, such as agricultural cooperatives, Farm Bureau, or Lion's Club. AgrAbility clients benefit from the added expertise and resources such collaborations bring to the projects. Many AgrAbility projects have developed contractual arrangements with their State's vocational rehabilitation office that provide a win-win for the client, the project, and the State.

What Services Does the National AgrAbility Project Provide?

The National AgrAbility Project staff provides training and technical assistance, and information on available resources to the State AgrAbility project staffs through a variety of means, including:

—annual National AgrAbility Project Training Workshops,
—toll-free telephone consultations,
—an online library of technical resources, and
—collaboration on and presentations at statewide educational activities.

In addition, the National AgrAbility Project staff:

—provides direct technical consultation on developing assistive technology solutions to clients, rehabilitation engineers, and fabricators;
—presents information about AgrAbility at national agricultural and health-related events; and
—develops and disseminates new educational materials relevant to farming and ranching with disabilities.

These and other activities all help to meet the goal of promoting awareness that with technical assistance, information, and education farmers, ranchers, and farm-

workers with disabilities can successfully continue to do the work they know and love.

How are Federal Resources Maximized and New Resources Secured?

National and State project staffs seek to form partnerships and alliances with corporations and organizations that will help expand the reach and services of the program. Additional efforts are made to secure financial and in-kind contributions to augment the base funds provided through the USDA–SREES grants. These efforts help maximize the Federal support and invest community and corporate leaders in the mission and work of the AgrAbility Project—Promoting success in agriculture for farmers, ranchers, and farmworkers with disabilities. Such efforts also provide these leaders with a tangible way to give back to the rural communities in which they live and/or conduct business. By supporting the AgrAbility Project, they are helping their customers who face the challenges of accommodating their disabilities while continuing to work in agricultural production.

Funding Request

The need for AgrAbility services has never been greater, and its accomplishments to date are remarkable by any standard. More States than ever are applying for funding in every competitive grant cycle and outstanding State projects are not being funded. Easter Seals is proud to contribute to the ongoing success of the USDA–CSREES AgrAbility Program. Please support the allocation of at least $5 million for AgrAbility in fiscal year 2009 to ensure that this valuable public-private partnership continues to serve rural Americans with disabilities and their families. Thank you for this opportunity to share the successes and needs of the USDA AgrAbility Program.

GRANTS FOR EXPANSION OF EMPLOYMENT OPPORTUNITIES FOR INDIVIDUALS WITH DISABILITIES IN RURAL AREAS

Easter Seals strongly believes that rural residents with disabilities need to have access to the services and supports that help them live, learn and play in their communities. About one in five Americans lives in a rural area. Of that number, an estimated 12.5 million are people with disabilities. Compared with metropolitan areas, the following is true for rural America.

—The incidence of disability and chronic health conditions is higher
—Gaps in service delivery systems and infrastructure are more prevalent
—Average incomes are lower and job opportunities fewer
—The percentage of older adults is higher
—Service providers often lack capacity to assist residents properly
—Physical and attitudinal barriers are more wide-spread

There is also a significant impact on the community when families are thrust into the caregiving role. Too often, this results in a gainfully employed person leaving the workforce or even leaving a community to a more urban or suburban area to find services and supports.

To that end, Easter Seals asks Congress to support all rural residents with disabilities by focusing on the needs of rural residents with disabilities in all USDA programs and by creating unique resources within USDA that will support people with disabilities in rural communities. This includes strengthening access to services so that rural residents with disabilities can get the services they need to contribute to the economy and social success of rural communities.

The Senate version of the Farm Bill reauthorization, currently being debated includes authorization for a new program within USDA Rural Development titled "Grants for Expansion of Employment Opportunities for Individuals with Disabilities in Rural Areas" in Section 379E of the bill. This program is greatly needed in rural communities and will help enhance the ability of small business owners in rural communities to be better equipped to recruit, employ and retain employees with disabilities and will enhance self-employment and entrepreneurship opportunities for rural residents with disabilities. The mechanism to achieve this goal is the development of national technical assistance and education resources through grants to national nonprofit organizations with a strong history of serving rural residents with disabilities and a close relationship with USDA.

Funding Request

The need for support to increase employment opportunities for rural residents with disabilities is significant and growing. Easter Seals is proud to contribute to the increase in attention to services and supports that are needed and currently lacking in rural communities for residents with disabilities. Please support the allocation of at least $2 million for the "Grants for Expansion of Employment Opportu-

nities for Individuals with Disabilities in Rural Areas" in fiscal year 2009 to ensure that this valuable public-private partnership can be initiated. Thank you.

PREPARED STATEMENT OF FLORIDA STATE UNIVERSITY

Florida State University is requesting $5,000,000 in fiscal year 2009 for the Risk Reduction for Agricultural Crops Program and $2,000,000 for the Apalachicola River Coastal Watershed/Marine Environment Initiative from the from the U.S. Department of Agriculture, Cooperative State Research, Education and Extension Service (CSREES)/Federal Administration Account.

Mr. Chairman, I would like to thank you and the Members of the subcommittee for this opportunity to present testimony before this Committee. I would like to take a moment to briefly acquaint you with Florida State University.

Located in Tallahassee, Florida's capitol, FSU is a comprehensive Research I university with a rapidly growing research base. The University serves as a center for advanced graduate and professional studies, exemplary research, and top-quality undergraduate programs. Faculty members at FSU maintain a strong commitment to quality in teaching, to performance of research and creative activities, and have a strong commitment to public service. Among the current or former faculty are numerous recipients of national and international honors including Nobel laureates, Pulitzer Prize winners, and several members of the National Academy of Sciences. Our scientists and engineers do excellent research, have strong interdisciplinary interests, and often work closely with industrial partners in the commercialization of the results of their research. Florida State University had over $190 million this past year in research awards.

Florida State University attracts students from every State in the Nation and more than 100 foreign countries. The University is committed to high admission standards that ensure quality in its student body, which currently includes National Merit and National Achievement Scholars, as well as students with superior creative talent. Since 2005, FSU students have won more than 30 nationally competitive scholarships and fellowships including 2 Rhodes Scholarships, 2 Truman Scholarships, Goldwater, Jack Kent Cooke and 18 Fulbright Fellowships.

At Florida State University, we are proud of our successes as well as our emerging reputation as one of the Nation's top public research universities.

Mr. Chairman, let me summarize two important projects we are pursuing this year. The first involves mitigating climate impact for agriculture.

The current drought, which is one of the worst in recent history, has had a significant impact on the water resources in Georgia, Alabama and Florida. It has reemphasized the vulnerability of the citizens to climate variability and climate extremes. The Federal Government can reduce these risks by using modern technologies such as climate models, which can predict future climate, and decision support tools to help mitigate some of these uncertainties and provide adaptation strategies for the agricultural and environmental sectors. The Southeast Climate Consortium (SECC), which encompasses Florida State University, University of Florida, University of Miami, University of Georgia, Auburn University, and University of Alabama at Huntsville, has been at the forefront of research and extension for the application of climate predictions to risk reduction for agriculture and natural resources. With support from USDA and NOAA, the SECC has developed new methods to predict the consequences of climate variability for agricultural crops, forests, and water resources in the southeastern United States. In recent real-life tests, these methods have been applied to the problems that farmers raising specialty crops face arising from variable rainfall, temperature, and wild fires.

In the SECC, FSU will provide the climate forecasts and risk reduction methodology. UF and UG will translate this climate information into risks and environmental impacts on agriculture and, with Auburn, will work with Extension to provide info to the ag community. UM will provide economic modeling. Together we are developing new tools to help minimize climate risks to water quality and quantity. FSU, on behalf of the SECC, seeks $5.0 million in fiscal year 2009 for this activity. These tools and application of agriculture and natural resources has strong support of extension programs.

New tasks this year include developing improved methods to forecast droughts for agriculture and forest producers to manage resources to reduce risks of losses and environmental damage; developing partnerships and methods for incorporating climate forecasts into agricultural and water policy decisions; and initiating the development of a decision support system for climate forecasts to water resources management, especially for agricultural water use. We are requesting $5,000,000 in fiscal year 2009 for this important project.

Our second project involves the health of our Gulf ecosystem.

FSU is proposing an interdisciplinary research project to investigate the linkages between Apalachicola river flow, fishery production, and ecosystem health in the northeastern Gulf. By establishing ecological linkages between river flow, coastal food webs and fisheries, research proposed by the Florida State University will inform policies on the conflicting demands on water use that span ecological, social, and jurisdictional boundaries. In effect, this research will focus on revealing the linkages between the Apalachicola River and the immense productivity of the region from inshore to nearshore and even offshore regions.

The proposed research will increase our understanding of linkages between coastal watersheds and the marine environment, which will lead to an increased capacity to forecast the ecosystem responses to anthropogenic stressors and the consequences of those responses. FSU proposes to:

—Characterize Apalachicola river flow and its interactions with nearshore and offshore shelf waters in the northeast Gulf of Mexico on seasonal, annual, and decadal time scales.

—Establish ecological linkages between river flow, nutrients, and phytoplankton production that support coastal food webs and fisheries (e.g., oysters, groupers) in the northeastern Gulf.

—Develop models that can be used by decision makers to evaluate the consequences of altered river flow for fishery production and ecosystem health.

—Systematically inform coastal managers and others charged with protecting and regulating water use, water quality, and habitat protection of our research findings and their relevance for decision making.

Recent national attention has focused on the management of the Apalachicola drainage system because of the current drought conditions over the southeastern United States and conflicts over water use in the watershed. This debate has highlighted the need for effective science than can be used to inform policy decisions. This project will directly address these key issues. We are requesting $2,000,000 for this project.

Mr. Chairman, these are projects that will have a great impact on our country and I appreciate your consideration.

PREPARED STATEMENT OF FOOD & WATER WATCH

Chairman Kohl, Ranking Member Bennett and members of the Subcommittee. My name is Wenonah Hauter and I am executive director of the nonprofit consumer organization Food & Water Watch. We were founded in November 2005 and we work on food policy and water infrastructure issues. I welcome this opportunity to comment on the President's proposed fiscal year 2009 budget as it applies to the agencies under your jurisdiction.

USDA—Food Safety and Inspection Service

We commend the subcommittee for its work to require the Food Safety and Inspection Service (FSIS) to submit its proposals on risk-based inspection (RBI) for processing facilities to the USDA's Office of Inspector General (OIG) for a review before the agency proceeded with implementation of the new inspection scheme. As most consumer groups suspected, the agency was racing toward implementing RBI without having the necessary data upon which to make its policy assessments. As you know, the OIG released a 142-page audit report in December 2007 that outlined the problems with the agency's current information technology infrastructure and made 35 separate recommendations for the agency to implement before it could proceed with its RBI program.[1] While the agency and the OIG reached management decision on all of these recommendations, FSIS is notorious for not implementing OIG recommendations in a timely fashion. It will require intense oversight by the subcommittee to ensure that FSIS implements OIG's recommendations. Since the implementation of RBI is dependent upon the development of the Public Health Information Structure (PHIS), we urge the subcommittee to request a detailed accounting of this new IT system because the agency has not been forthcoming about the final cost for creating PHIS.

With regard to the agency's Public Health Based Inspection System in Poultry Slaughter (PHBISPS), we view this as an expansion of the pilot project that the agency has conducted since 1999 called the HACCP-based Inspection Models Project (HIMP). We urge the subcommittee to proceed cautiously with funding PHBISPS for several reasons: (1) the agency still has not conducted a full evaluation of HIMP

[1] See http://www.usda.gov/oig/webdocs/24601__07__HY.pdf

which was promised to stakeholders before any expansion; (2) the agency has been slow to respond to a 2006 Freedom of Information Act Request by FWW for the non-compliance records from the plants enrolled in HIMP; (3) as was the case with the agency's RBI in processing proposal, there seems to be a data quality issue with PHBISPS which was raised at the February 5–6, 2008 meetings of the National Advisory Committee on Meat and Poultry Inspection;[2] (4) recently there was a major Class I recall involving one of the plants enrolled in HIMP that calls into question whether the privatization of poultry slaughter inspection is protective of public health.[3] Associated with PHBISPS is the Salmonella Initiative that was announced in February 2006.[4] The subcommittee should scrutinize this proposal from a number of standpoints. First, the Salmonella Initiative is designed to reward poultry slaughter facilities that exceed the FSIS salmonella performance standard, a standard that has not been updated in nearly a decade, by reducing the level of pathogen testing. Second, the agency will permit at least five facilities to request waivers of certain regulations, such as line speeds, if they exceed the salmonella performance standard. The agency has not taken into account the impact on inspector plant worker safety with these proposals. In 2005, the Government Accountability Office issued a report that recommended that line speeds be studied from an occupational safety perspective.[5] To our knowledge, the Occupational Safety and Health Administration has failed to do that. In February 2008, the Charlotte Observer ran a six part series on the plight of employees who work in poultry processing.[6] Yet, FSIS seems to be oblivious that what it is proposing with its Salmonella Initiative could lead to increased occupational hazards to workers in the poultry industry and to their own inspection workforce. We strongly urge the subcommittee not to fund this proposal until all of these issues are fully evaluated.

We would also like to call to the Subcommittee's attention the response to a FOIA request we filed last year that details on a monthly basis for fiscal year 2007 the level of in-plant inspection vacancies broken down by FSIS district.[7] We commend the subcommittee for addressing this issue during the fiscal year 2007 appropriations process, yet some FSIS districts still are experiencing double-digit vacancy rates—with the Albany district experiencing a 20.25 percent vacancy rate at the end of fiscal year 2007. While the agency has worked very hard to fill those vacancies, it is also facing an exodus of inspection personnel who are either retiring or leaving the agency voluntarily.

We would also like to call to the Subcommittee's attention the results of a 2007 survey of FSIS inspectors conducted by Food & Water Watch and the National Joint Council of Food Inspection Local Unions. A survey was mailed to nearly 5,700 FSIS inspectors in February 2007 and we received 1,320 responses. Among the more disturbing results were:

—Over 70 percent of the inspectors said staffing shortages impacted their physical and mental health;

—Nearly 80 percent of slaughter and combination plant inspectors believed that current line speeds were so fast that it made it difficult for them to catch adulteration on carcasses;

—More than half of slaughter and combination plant inspectors responded that less than half of the regulatory violations they observed were actually recorded on non-compliance reports;

—Nearly 90 percent of slaughter and combination plant inspectors reported that off-line inspectors (those inspectors responsible for writing non-compliance reports) have been pulled to cover vacancies on the slaughter line (where they cannot write the reports);

—Nearly 40 percent of inspectors who were on patrol assignments stated that not all processing plants in their circuit were visited at least once per shift and over three-quarters of those inspectors stated that those plants were not visited at least once daily;

—Nearly 70 percent of inspectors said that plants were not always clean at the start of operations.

The agency had a very trying year. We are currently in the midst of the largest meat recall in the Nation's history involving 143 million pounds of beef and beef products that were processed at the Hallmark/Westland Meat Company in Cali-

---

[2] See transcripts http://www.fsis.usda.gov/About__FSIS/NACMPI__Transcripts/index.asp

[3] March 14, 2008 recall of 943,000 pounds of poultry products from Cagle's. Inc., http://www.fsis.usda.gov/News__&__Events/Recall__010__2008__Release/index.asp

[4] See http://www.fsis.usda.gov/News__&__Events/NR__022306__01/index.asp

[5] See http://www.gao.gov/new.items/d0596.pdf

[6] See http://www.charlotte.com/poultry/

[7] See http://www.foodandwaterwatch.org/food/foodsafety/meat-inspection__1/FOIA.pdf/view

fornia. In 2007, there were sixty-one recalls or public health alerts issued by the agency. So far in 2008, there have been another 10 recalls. It is very troubling to us that in spite of this less than stellar track record, top agency personnel received over $311,000 in performance bonuses in fiscal year 2007. We strongly urge the subcommittee to evaluate how the bonus program is administered at FSIS because we believe that the money would be better served in addressing staffing shortages in the field.

We also urge the subcommittee to investigate why the proposed rule to list retail consignees on FSIS recall press releases—a regulation proposed by FSIS on March 7, 2006 and whose comment period closed in June 2006—still has not received final clearance. We strongly believe implementation of such a rule would assist the agency in recovering recalled meat and poultry products.

The subcommittee should also be made aware that our organization filed a petition with FSIS on January 29, 2008 to revoke Canada's equivalency status to export meat and poultry products.[8] We cited repeated food safety violations found by FSIS auditors in their annual visits to Canadian meat and poultry plants and an increase in recalls of meat and poultry products that originated in Canada and made their way into U.S. commerce.

We also request that the subcommittee investigate the status of an application made by an Australian beef company to export its products to the United States using a controversial privatized inspection system. We understand that FSIS approval of that application is imminent.

Lastly, we oppose the imposition of $96 million in licensing and performance fees proposed by the administration. The functions performed by this agency are of a public health nature and its functions should be financed through general Treasury funds.

AGRICULTURAL MARKETING SERVICE

While the focus of any investigation on the lapses at the Hallmark/Westland Meat Company needs to be on the FSIS inspection procedures, the audit procedures employed by the Agricultural Marketing Service (AMS) also deserve scrutiny. AMS approves vendors who can sell their commodities to the various nutrition programs it operates, including the National School Lunch Program, and enters into contracts with those vendors. For ground beef products, the contract specifications clearly state that humane handling practices need to be adhered to and that no meat from non-ambulatory animals can be harvested for USDA nutrition programs.[9] It is clear that Hallmark/Westland failed to meet both of those requirements. We urge the subcommittee to secure the AMS audit reports from Hallmark/Westland. We have attempted to secure AMS audit reports in the past and have been denied access on the grounds that they are considered to be proprietary information. We also believe the subcommittee should evaluate how AMS makes its "Supplier of the Year" awards, since Hallmark/Westland received that award for the 2003–2004 school year.

In addition, we urge the subcommittee to use its oversight to ensure that the long-delayed country of origin labeling program is finally implemented. We applauded the inclusion of COOL in the 2002 Farm Bill but have been frustrated by the delays in its implementation. We believe that labeling provides consumers with vital information they need to make informed choices about where their food is from, in addition to giving producers an opportunity to distinguish their products in an increasingly international marketplace. Consumer support for COOL has been strong for years, and demand for information about where food is from has only increased in the wake of scandals about imported food.

The House version of the 2007 Farm Bill included language that clarifies the intent of the 2002 Farm Bill and addresses many of the concerns expressed by industry that have historically opposed mandatory labeling. No matter what the outcome of the current Farm Bill process, we urge the subcommittee to instruct the agency to implement mandatory COOL for meat and produce on schedule by September 30 and to closely follow the COOL provisions and report language from H.R. 2419. Consumers have waited long enough to find out where their food comes from. Further delays in providing country of origin labeling are unacceptable.

---

[8] http://www.foodandwaterwatch.org/world/global-trade/foodandglobaltrade/usda-petition-against-risky-canadian-meat-and-poultry

[9] See http://www.ams.usda.gov/lscp/beef/LSP__SB__TRS__GB–O7%20APPROVED__08__13__07.pdf

FOOD AND DRUG ADMINISTRATION

We were disappointed by the paltry increase proposed by the administration for the food safety functions of the Food and Drug Administration (FDA). The increase barely covers annual inflationary costs—in spite of assurances by Health and Human Services Secretary Michael Leavitt in December 2007 that FDA would receive a substantial increase in the 2008 budget. While we recognize that FDA's food safety programs are under-funded, we also believe that there needs to be scrutiny of its management structure because we sense that FDA is extremely top-heavy and is missing an appropriate sense of urgency for the need to put more resources into the field. Agency officials have repeatedly stated that putting more inspectors in the field will not solve the current food safety crisis.[10] We do not subscribe to their assessment. The agency currently has a staff of over 10,000 employees but we do not know what these people do. FWW has attempted to find out exactly how many FDA inspectors there are by filing a FOIA request for the work plans of the FDA's Office of Regulatory Affairs, but our request has been rejected. We are currently exploring legal action to obtain those documents.

While the agency has put forth its "Food Protection Plan," we believe that it is riddled with problems and it suffers from a lack of detail and transparency. The agency claims that it will use a risk-based inspection model to conduct food inspections. When pressed about the data sources for evaluating risk and constructing their inspection system, agency officials admit that FDA has very few from which to draw. Second, the agency wants to use "third party certification" as a way to avoid increasing its own inspection workforce. We are adamantly opposed to the privatization of food inspection. This is a public health function that should be the government's responsibility—not the responsibility of a multi-national corporation that has profit as its driving motivation.

Third, we are especially troubled by the January 29, 2008 testimony given by Lisa Shames, Director of GAO's Natural Resources and Resources Division, before the House Subcommittee on Oversight and Investigations in which she said: "FDA officials have declined to provide specific information on how much additional funding it believes will be necessary to implement the Food Protection Plan, saying that finalizing the amounts will take place during the budget process. Similarly, the Food Protection Plan does not discuss the strategies it needs in the upcoming years to implement this plan. FDA officials told us that they have internal plans for implementing the Food Protection Plan that detail timelines, staff actions, and specific deliverables. While FDA officials told us they do not intend to make these plans public, they do plan to keep the public informed of their progress. Without a clear description of resources and strategies, it will be difficult for Congress to assess the likelihood of the plan's success in achieving its intended results."[11]

This is truly appalling. How can we trust the same people who brought us to the current crisis to develop and execute plans in secret without the benefit of public and congressional scrutiny? These are some of the same individuals who were advocating the closure of FDA laboratories and who received exorbitant bonuses for their outlandish proposals. We strongly urge the subcommittee to compel FDA officials to make the details of their Food Protection Plan public so that there is the benefit of congressional and public scrutiny of their proposals.

Lastly, as we detailed in our 2007 report, Import Alert,[12] FDA's program to oversee the safety of seafood imports to the United States does not live up to the standard that Americans expect from their government. Inadequate funding and a poorly designed inspection program contributed to FDA physically inspecting less than 2 percent of the nearly 860,000 imported seafood shipments in 2006. Only 0.59 percent of shipments were tested for contaminants in a laboratory.

Physical inspection gives the greatest assurance of detecting safety issues in seafood products, so the low rate of inspection raises concerns about the safety of imported seafood sold in U.S. restaurants and grocery stores. At the same time, in foreign aquaculture facilities the use of numerous antibiotics, fungicides, and pesticides, many of which are not approved for use in the United States, is on the rise. In June 2007 the FDA issued an import alert for five seafood products from China due to chemical contamination. However, it is not just China; veterinary drug residues are being detected on imports from more countries and more types of seafood.

Seafood products are responsible for 18 to 20 percent of the outbreaks of foodborne illness that affect one in four Americans, or 76 million people every year. Trends in the global production of seafood—aquaculture now produces half of the

[10] See http://www.pbs.org/newshour/bb/health/jan-june07/foodacheson__06__08.html
[11] See http://energycommerce.house.gov/cmte__mtgs/110-oi-hrg.012908.Shames-Testimony.PDF
[12] See http://www.foodandwaterwatch.org/fish/copy__of__pubs/reports/import-alert

world's seafood—make now the critical time for FDA to increase physical inspection of imported seafood. There is currently a new bill in the Senate Commerce Committee, the Commercial Seafood Consumer Protection Act, which would allow the National Oceanic and Atmospheric Administration to ramp up efforts on seafood inspections. However, we believe that this is not the appropriate focus for an agency that is already over-extended and under-funded on its core programs. Rather, FDA, the agency traditionally responsible for seafood inspections, needs a better inspection regime and adequate resources to implement it. We urge the subcommittee to work with the agency to develop an effective seafood safety program.

PREPARED STATEMENT OF FRIENDS OF AGRICULTURAL RESEARCH—BELTSVILLE

Mr. Chairman, and Members of the Subcommittee, thank you for this opportunity to present our statement regarding funding for the Department of Agriculture's Agricultural Research Service (ARS), and especially for the Agency's flagship research facility, the Henry A. Wallace Beltsville Agricultural Research Center (BARC), in Maryland. Our organization—Friends of Agricultural Research—Beltsville—promotes the Center's current and long-term agricultural research, outreach, and educational missions.

Our testimony will emphasize these main themes:

First, we strongly recommend continued funding for certain high-value, on-going research that the Congress has previously approved for BARC. Yet, this crucially needed on-going research is marked for termination in the President's fiscal year 2008 budget. We discuss the basis and rationale for our recommendation in Part I, below.

Second, we recommend and endorse continued full support for redirected research in the President's budget. We briefly expand the basis of our support in Part II.

Third, we will offer a brief comment on the proposed relocation staff and program from the Grand Forks Human Nutrition Research Center to Beltsville in Part III.

Part I. High-Value Research Marked for Termination

Animals Biosciences & Biotechnology Laboratory (ABBL)—$8,401,123.—ABBL's research mission is to improve the genetic, reproductive, and feed efficiency of livestock and poultry. A dedicated staff of 32 employees, of which 13 are research scientists, are addressing a number of cutting-edge research issues: using pig embryonic stem cells to enhance disease resistance in pigs and for clinical use in human liver rescue devices; designing novel antimicrobial proteins for treatment of human (methicillin-resistant staph aureus) and animal (bovine mastitis) diseases; identifying genetic markers to reduce fetal pig mortality. This cutting-edge work is well regarded in the greater scientific community. Loss of this funding will essentially close out the only research of this type in ARS. It has been suggested that a reason for the proposed closure is inadequacy of facilities. But in the judgment of highly qualified scientists, inadequacy of facilities is simply not an issue.

The research in this laboratory is both basic and applied and is valuable to all of the animal industries. The research addresses the very issue of genetic improvement of animals for those traits that are most desirable to consumers and profitable for producers. In addition, this research has proven to be very valuable to the biomedical community because the information obtained is useful to promote human health. Restoration of funding for this invaluable research is critically needed.

Biomedical Materials in Plants—$1,808,253.—Plants can be used as factories to manufacture vaccines and other pharmaceuticals for animals and humans. This research focuses on development of tobacco as a crop with this beneficial use. We recommend restoring full funding.

Bioremediation Research—$118,167.—Munitions storage sites and bombing ranges in parts of the United States have left huge tracts of soils and lands contaminated by highly toxic residues from such explosives as TNT. Those soils and lands now are limited environmentally for commercial or agricultural purposes. These funds support ongoing research to determine if forage plants can remove TNT and its metabolites from contaminated sites. Beltsville is a world recognized leader in the field of bioremediation. This work is not done anywhere else in ARS. We recommend funding for this research.

Foundry Sand By-Products Utilization—$680,205.—Waste sands from the metal casting industry currently are dumped in landfills. This project is working with industry on guidelines for beneficial uses of these sands. We recommend that this research continue.

Poultry Diseases—$434,934.—Coccidiosis, a parasitic poultry disease, costs the industry almost $3 billion per year. This research focuses on understanding the genet-

ics of both the parasite and the host chicken to identify targets that will allow better disease prevention and control. We recommend that this research continue.

Potato Diseases—$64,545.—These funds are used for research activities on genetic improvement of potato and for diseases of potato. While a small amount of money, these funds are used to supplement ongoing efforts in this important area. We recommend that this research continue.

Part ll. Redirected Research

The budgetary items listed here have not appeared in our testimony of previous years. In terms of overall BARC funding, they are revenue neutral. Essentially, these are "new" programs replacing similar but lower-priority, on-going programs that would be closed out. Ideally, all the research programs, new and old, would continue. All are important lines of research, and we would prefer to see new funding rather than redirection. Nevertheless, BARC can manage within these redirections if there is no option. We strongly support funding for this research.

Crop Health—$947,322.

Obesity Prevention Initiative—$1,937,649.

Food Safety—$1,045,629.

Crop Genetic Improvement—$938,385.

Part III. Relocation Staff and Program From the Grand Forks Human Nutrition Research Center to Beltsville

The fiscal year 2009 budget also proposes to relocate a significant number of staff and program from the Grand Forks Human Nutrition Research Center to Beltsville. We are neutral about this redirection.

Mr. Chairman, that concludes our statement. We again thank you for the opportunity to present our testimony and for your generous support.

PREPARED STATEMENT OF THE IZAAK WALTON LEAGUE OF AMERICA

The Izaak Walton League of America appreciates the opportunity to submit testimony concerning appropriations for fiscal year 2009 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 36,000 members and nearly 300 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 been a partner with farmers and a participant in forming agriculture policy since the 1930s. The following pertains to conservation programs administered by the U.S. Department of Agriculture.

The League believes Congress should prioritize investment in conservation programs in order to protect natural resources and to meet the demonstrated demand for conservation services. Two of every three eligible applicants for Federal conservation programs are being turned away due to lack of funding. Over the 5-year term of the 2002 Farm Bill, $13.5 billion in requests from more than 487,000 farmers and ranchers went unfunded. During the same period, Congress cut funding for conservation by more than $5 billion below levels authorized by the 2002 farm bill.

Prioritizing funding for conservation is even more important in light of recent developments in the agricultural economy. Land values have skyrocketed more than 50 percent in the past 3 years and continue to climb. As land prices rise, the purchasing power of each conservation dollar decreases. Record prices for crops are also driving a land rush. The push for increased production is threatening the conservation gains that have been achieved through the Conservation Reserve Program and Wetlands Reserve Program. Additionally, expanding production highlights the necessity of boosting the Conservation Security Program, which promotes farming practices that protect wildlife and natural resources.

Finally, in the broader scope, USDA researchers have identified additional positive opportunities for prioritizing conservation. Specifically, natural amenities such as pleasant landscapes and opportunities for outdoor recreation generate economic growth in rural areas. According to USDA's Economic Research Service: "Natural amenities are highly correlated with population and employment growth—they even shape agriculture . . . [The] number of farms has increased in counties with high levels of natural amenities." The conservation programs that protect and enhance natural resources also protect and enhance rural economies.

The League is concerned that the administration has proposed to significantly cut funding for critical conservation programs. We recognize the challenges and uncertainty the subcommittee faces as negotiations over a new farm bill drag on. We profoundly hope that a new farm bill will be enacted before the subcommittee marks

up its bill. As the subcommittee develops the fiscal year 2009 Agriculture bill, the League appreciates the opportunity to address funding for specific conservation programs.

USDA FARM SERVICE AGENCY, CONSERVATION RESERVE PROGRAM (CRP)

The administration requests $1.95 billion for fiscal year 2009 down from approximately $2 billion in fiscal year 2008. Grain prices have reached record levels and land values are experiencing correspondingly dramatic increases. Reducing CRP funding would exacerbate current conditions while even level funding will not allow USDA to enroll as many acres due to rapidly escalating land prices. In order to maintain core acreage, the League encourages the subcommittee to appropriate at least $2 billion for CRP in fiscal year 2009.

USDA NATURAL RESOURCES CONSERVATION SERVICE, WETLANDS RESERVE PROGRAM (WRP)

The administration requests $181 million down from $455 million appropriated for this fiscal year. Furthermore, the budget indicates that funds will not be requested for fiscal year 2010 and beyond because authority for the program would expire unless a new farm bill is enacted. This is a particularly damaging blow because the administration provided full funding in the past 2 years to achieve the WRP's goal of 250,000 restored wetland and upland acres per year. The League urges the subcommittee to provide $455 million in fiscal year 2009.

USDA NATURAL RESOURCES CONSERVATION SERVICE, CONSERVATION SECURITY PROGRAM (CSP)

The President's budget proposes to cut the program below baseline funding. If approved, this would effectively prevent new enrollments. CSP applies to the full spectrum of working agricultural lands from cropland to pasture to rangeland. In the program's first 3 years, contracts were signed with more than 19,000 producers nationwide who agreed to implement conservation practices on over 15.6 million acres. Moreover, as detailed in League-supported research, CSP pays for practices that provide substantial wildlife benefits. In case studies from Missouri and Minnesota, for instance, 88 and 85 percent of CSP payments, respectively, supported practices that provide wildlife habitat benefits. The importance of CSP is growing in direct proportion to the current market-driven expansion of agricultural production. The League encourages the subcommittee to appropriate $444 million for CSP in fiscal year 2009, which is equal to the baseline established by the Congressional Budget Office. This level of support would enable the program to serve eligible farmers and ranchers nationwide who want to participate.

USDA NATURAL RESOURCES CONSERVATION SERVICE, WILDLIFE HABITAT INCENTIVES PROGRAM (WHIP)

Although Congress appropriated $85 million for WHIP in fiscal year 2008, the administration is proposing to terminate it. WHIP provides technical and financial assistance to landowners and others to develop upland, wetland, riparian and aquatic habitat areas on their property. According to USDA, between 2002 and 2006, the program established 1.8 million acres of habitat. However, during that same period, eligible applications totaling $136 million were turned away due to lack of funds. We urge the subcommittee to reject the administration's proposal and to appropriate at least $85 million for WHIP in fiscal year 2009.

USDA NATURAL RESOURCES CONSERVATION SERVICE, GRASSLAND RESERVE PROGRAM (GRP)

The administration proposes to terminate this program as well. Unfortunately, GRP was not funded under the fiscal year 2008 omnibus appropriations bill. Like WHIP, demand for GRP is overwhelming. In the space of 2 years, USDA had to turn away approximately 16,500 eligible participants seeking to protect 11 million acres of crucial grasslands. Without a pledge of support from the White House, providing protection for grasslands—one of the most threatened ecosystems globally—will be entirely up to Congress during the appropriations process. Although IWLA supports GRP funding in the farm bill at $240 million annually, we urge the subcommittee to provide at least $50 million in its bill to maintain the vital service performed by this program.

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION OF STATE ENERGY OFFICIALS

Chairman Kohl and members of the Subcommittee, I am Dub Taylor, Chairman of the National Association of State Energy Officials (NASEO). NASEO is submitting this testimony in support of funding of the Energy Title (Title IX) of the 2002 Farm Bill, especially Section 9006. Section 9006 provides funding for energy efficiency and renewable energy efforts for farmers, ranchers and rural small businesses. We strongly recommend funding of no less than $60 million for Section 9006, and we would certainly urge consideration for $5 million of funding for the Section 9005 energy audit/assessment program within this funding level. NASEO has worked with farmers, our State agricultural agencies and rural interests to promote this successful program. As we face dramatically increasing energy bills for all sectors of the economy, it is critical that we do more to address the energy problems of rural America.

Chairman Kohl, we know that you recognize the importance of the agricultural energy programs, as well as the State energy activities. All the State energy offices are indebted to you for your contribution to a broad-based national energy policy.

As the debate continues over the new Farm Bill, we strongly urge you to fund the critical energy programs within the 2002 Farm, and we hope a robust energy title will be passed as part of the new Farm Bill. We hope that in calendar year 2009 (and hopefully fiscal year 2009), Congress and the administration will jointly push forward with a comprehensive energy funding program, including robust appropriations for the agriculture sector. Greater energy efficiency and renewable energy use in the farm sector will help create jobs, reduce climate change, increase agricultural productivity and improve the environment. If significantly increased energy funding can be provided for the energy title of a new Farm Bill, then we would hope that rural schools and other public institutions could be covered by Section 9006. This is the approach offered by Senator Harkin in the so-called "REAP" bill. This could effectively combine with efforts through the Energy and Water Development Appropriations Bill, such as the State Energy Program, biorefineries, expanded alternative fuels programs, alternative fuels infrastructure, etc. On the tax side, a long-term extension of the production tax credit and investment tax credit for renewable energy, energy efficiency tax credits and deductions and other related programs, could combine with these appropriations and energy policy changes to bring about significant improvements in our Nation's approach to energy.

In fiscal year 2007, $73 million was requested from applicants for Section 9006 loans and grants. In fiscal year 2008 Congress provided $36 million for the Section 9006 program. A minimum of $60 million for this effort in fiscal year 2009 is necessary to maintain the momentum and expand participation. We hope for even more funding in the future.

The Nation cannot afford any greater lag in funding the energy provisions of the Farm Bill. With gasoline prices approaching $4/gallon, diesel prices even higher, propane prices used for crop drying and rural domestic energy use at historically high levels, this appropriations bill must be a vehicle for an aggressive change in energy policy to implement the authorization bills. The country cannot wait.

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES (NASULGC) BOARD ON NATURAL RESOURCES (BNR)

We thank you for the opportunity to submit testimony. We request the following funds within the Cooperative State Research, Education and Extension Service: $30.008 million for McIntire-Stennis Cooperative Forestry (McIntire-Stennis); $8 million for the Renewable Resources Extension Act (RREA); and $256.5 million for the National Research Initiative (NRI). In fiscal year 2008, McIntire-Stennis received $24.8 million, while the administration's fiscal year 2009 request is $19.5 million. In fiscal year 2008, RREA received $4.008 million, while the administration's fiscal year 2009 request is $4.052 million. In fiscal year 2008, NRI received $190.9 million, while the administration's fiscal year 2009 request is $256.5 million.

NASULGC BNR requests funding support for the McIntire-Stennis program at $30.008 million, the same level of support provided in fiscal year 2007.

America is blessed with tremendous forest resources—approximately one-third of our landmass is forested. In the coming years as we develop cellulosic ethanol, the Nation will likely rely more and more on our forests for fuel stocks. Sustaining these forests in a healthy and productive condition is a national priority demanding a strong, continuing commitment to scientific research and graduate education.

Principal financial support for university-based forestry research and graduate education comes from the McIntire-Stennis program. McIntire-Stennis funds are currently distributed according to a statutory formula to each of the 50 States, Puer-

to Rico, Guam, and the Virgin Islands, with a dollar-for-dollar match required from the States.

Congress has recently recognized the need to expand the McIntire-Stennis program and provided funding of $30 million in fiscal year 2007 and $25 million in fiscal year 2008. The schools and colleges of forestry and natural resources responded in 2007 by producing a McIntire-Stennis strategic plant. Unfortunately, the President's fiscal year 2009 budget would cut McIntire-Stennis funding by $5 million (compared to fiscal year 2008) and make $12 million of the remainder subject to new competitive multistate procedures.

If enacted, these changes could result in as much as a 74 percent reduction to some universities. We deplore these cuts and ask that you reject the administration's proposal.

As outlined in the 2007 strategic plan, McIntire-Stennis funding is critical to:

—Deliver scientific results and management technologies to forest land owners, managers, and policy makers;

—Prepare the future workforce in forestry and related natural resource science for the 21st Century.

NASULGC BNR requests funding support for the Renewable Resources Extension Act (RREA) program at $8 million.

In the U.S., 58 percent of the forest is held in private ownerships—mostly individual and family forests. These ownerships total nearly 291,000,000 acres. Given the geographic breadth of private ownerships and the astounding 10,000,000+ owners, informed stewardship of these forests promotes a secure future for the environmental and economic well-being of all our Nation's forests.

In 1978 Congress recognized that private forest and rangeland owners contribute significantly to the Nation's vitality and enacted RREA. This decree called for "expanded extension programs for forest and rangeland resources:" to enhance the sustainability of these renewable natural resources.

Today with the support of RREA, 69 land-grant universities provide educational programs to empower private forestland and rangeland owners in the many counties and parishes across our Nation. Landowners' ability to efficiently manage their properties is strengthened through educational workshops and seminars related to the eight RREA strategic issues: (1) Forest stewardship and health; (2) Wildlife and fisheries resources; (3) Rangeland stewardship and health; (4) Invasive species; (5) Economic opportunities; (6) Forestland conversion and fragmentation; (7) Diverse audiences; (8) Public policy and participation.

Many landowners are interested and adopt new practices once they know and understand them. Education can lead to properly applied and sustainable practices.

Recent reported outcomes from the program include:

—937 income-generating businesses created or expanded;

—2,390 new jobs created;

—27,300 landowners increased their awareness of forest or rangeland resources;

—21,100 landowners implemented at least one new renewable resource practice;

—$17,810,000 estimate dollars earned or saved by landowners;

—$198,571,756 earned or saved by loggers adopting new harvesting technologies.

Every Federal dollar spent in RREA leverages from $5–15 from State, county, and other sources.

Continued and increased funding will allow for:

—Equitable funding to the 1890 land-grant institutions and an increase in competitive funding;

—Create virtual centers of excellence with teams of USDA Forest Service scientists and Extension educators to develop extension programs and applied research for complex forest and rangeland ecosystems issues, such as climate change and bioenergy;

—Implement landscape-scale projects to compliment county- and State-based programs;

—Use of new techniques to segment the audience and use stewardship messages that have meaning for them;

—Continued use of proven educational settings for selected audiences: workshops, field days, schools, printed publications;

—Expanded use of new technologies: web-based learning centers, webinars, podcasts, eXtension, mobile networking, Web 2.0 tools, print-on-demand.

NASULGC BNR requests funding support for the National Research Initiative (NRI) program at $256.5 million.

The United States has a university-based system that integrates agriculture, health, and environmental research with higher education and public outreach activities. This unique system is a partnership between America's land-grant and re-

lated universities and the USDA's Cooperative State Research, Education, and Extension Service (CSREES).

Some CSREES programs are administered under formulae that provide each State and territory with sufficient funds to underwrite vital agriculture and natural resources research stations and extension offices. However, many other programs—most notably the National Research Initiative—require scientists and professionals from universities across the Nation to compete directly against each other in peer-reviewed competitions.

Both Congress and the administration have recognized the enormous value of CSREES competitive programs in recent years by providing modest increase to the NRI. However, much more must be done:

—American's farmers and foresters need additional genomic data and biotechnology tools to expand food and fiber production, process, and international trade;

—U.S. healthcare professionals need greater insight into the relationships between diet and health;

—Extension specialist and their clients need expanded knowledge about water quality to help protect the environment and safeguard our food system;

—University educators need additional funding to train new generations of food, agriculture, and natural resources scientists (many of whom are turning to better-funded disciplines).

We urge you to support these important forest and natural resources programs.

About NASULGC

NASULGC is the Nation's oldest higher education association. Currently the association has over 200 member institutions—including the historically black land-grant institutions . . . located in all 50 States. The Association's overriding mission is to support high quality public education through efforts that enhance the capacity of member institutions to perform their traditional teaching, research, and public service roles.

About the Board on Natural Resources

The Board's mission is to promote university-based programs dealing with natural resources, fish and wildlife, ecology, minerals and energy, and the environment. Most NASULGC institutions are represented on the Board. Present membership exceeds 500 scientists and educators, who are some of the Nation's leading research and educational expertise in environmental and natural-resource disciplines.

This testimony was developed for the BNR by the Chair of the BNR's Forestry Section, Dr. George Hopper, Dean, College of Forest Resources, Director, Forest and Wildlife Center, Mississippi State University.

Thank you for the opportunity to share our views with the Committee.

PREPARED STATEMENT OF THE NATIONAL COMMODITY SUPPLEMENTAL FOOD PROGRAM ASSOCIATION

The Honorable Herb Kohl, Mr. Chairman and subcommittee members, I am Matt Gassen, President of the National Commodity Supplemental Food Program Association (NCSFPA). Thank you for this opportunity to present information regarding the Commodity Supplemental Food Program (CSFP).

CSFP was our Nation's first food assistance effort with monthly food packages designed to provide protein, calcium, iron, and vitamins A and C. It began in 1969 for low-income mothers and children, preceding the Special Supplemental Nutrition Program for Women, Infants, and Children known as WIC. Pilot programs in 1983 added low-income seniors to the list of eligible participants and they now comprise 93 percent all participants.

CSFP is a unique Federal/State and public/private effort. The USDA purchases specific nutrient-rich foods at wholesale prices for distribution. State agencies such as the departments of health, agriculture or education provide administration and oversight. These agencies contract with community and faith based organizations to warehouse and distribute food, certify eligibility and educate participants. The local organizations build broad collaboration among non-profits, health units, and Area Agencies on Aging so that seniors and others can quickly be qualified for enrollment and receive their monthly supplemental food package along with nutrition education to improve their health and quality of life. This unique public/private partnership reaches even homebound seniors in both rural and urban settings with vital nutrition.

The foods provided through CSFP include canned fruits and vegetables, juices, meats, fish, peanut butter, cereals and grain products, cheese, and other dairy prod-

ucts targeted to increase healthy food consumption among these low-income populations.

The CSFP is also an important "market" for commodities supported under various farm programs, as well as an increasingly important instrument in meeting the nutritional and dietary needs of special low-income populations.

In fiscal year 2007, the CSFP provided services through 150 non-profit community and faith-based organizations at over 1,800 sites located in 32 States, the District of Columbia, and two Indian reservations (Red Lake, Minnesota and Oglala Sioux, South Dakota). On behalf of those organizations NCSFPA would like to express our concern and disappointment regarding the reduction of available CSFP resources for fiscal year 2009.

At a time when many Americans must choose between food or medicine, utilities, and other basic expenses, the Federal Government should not be reducing benefits for our most vulnerable citizens.

CSFP's 39 years of service stands as testimony to the power of partnerships among community and 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: young children and low-income seniors.

—The CSFP provides a monthly selection of food packages tailored to the nutritional needs of the population served. Eligible participants are guaranteed [by law] a certain level of nutritional assistance every month in addition to nutrition education regarding how to prepare and incorporate these foods into their diets as prescribed by their health care provider.

—The CSFP purchases foods at wholesale prices, which directly supports the farming community. The average food package for fiscal year 2008 is $18.57, and the retail value is approximately $50.00.

—The CSFP involves the entire community in confronting the problem of hunger. There are thousands of volunteers as well as many private companies who 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 no other source of support. (See Attachment 1)

The White House proposed budget for fiscal year 2009 would eliminate CSFP completely, and would eliminate all of this effort and support of those 39 years. This proposal has shocked the entire CSFP community as well as legislators, anti-hunger and senior service organizations and the concerned citizens as they have become aware of it. America's Second Harvest, AARP, and FRAC have all voiced their opposition to the elimination of CSFP. It is unconscionable to eliminate benefits for some of our most vulnerable citizens and to eliminate the hope of those waiting for participation in the program. It is the cruelest cut for the greatest generation.

In a recent CSFP survey, more than half of seniors living alone reported an income of less than $750 per month. Of those respondents from two-person households, more than half reported an income of less than $1,000 per month. Fewer than 25 percent reported being enrolled in the Food Stamp Program. Over 50 percent said they ran out of food during the month. Also, close to 70 percent senior respondents say they use money for medical bills not food.

The Senate Agriculture Appropriations Subcommittee has consistently supported CSFP, acknowledging it as a cost-effective way of providing nutritious supplemental foods. Last year this subcommittee and all of Congress provided funding for CSFP in direct opposition to its proposed elimination. This year, your support is again needed to provide adequate resources for the 473,473 mothers, children and seniors currently receiving benefits, 20,500 low-income participants currently waiting in 5 new States and 104,137 seniors waiting in current States for this vital nutrition program.

There is no discernible plan to address the long-term needs of those affected by the elimination of CSFP. The proposed transition plan provides that seniors being removed from CSFP will be provided a Food Stamp Program (FSP) benefit of $20 per month for up to 6 months, or until the participant actually enrolls in the FSP, whichever comes first. Simply transferring seniors to the FSP is an inadequate solution. It is essential for seniors to have access to services which they feel are offered with dignity and respect. Many will outright reject the idea of applying for FSP benefits. According to the ERS Evaluation of the USDA Elderly Nutrition Demonstrations: Volume I:

"The Commodity alternative benefit demonstration in North Carolina was popular both among new applicants and among existing FSP participants. Clients eligible

for low FSP benefits were more likely to get the commodity packages, which had a retail value substantially greater than their FSP benefits". "In particular, seniors described the anxiety of using FSP benefits in stores, where they felt shoppers and store clerks looked down on them". "The demonstrations attracted a particularly large share of clients eligible for the $10 benefit because the retail value of the commodity packages was worth $60-$70."

Depending on their non-cash assets, seniors may not qualify for a FSP benefit level equivalent to the CSFP food package. Seniors receiving the minimum benefit would not be eligible for the $20/month transitional benefit. The 25 percent of current CSFP participants who already enrolled in the FSP will lose the benefits of CSFP and those benefits will not be replaced at a time when they are struggling to make ends meet. CSFP and FSP are supplemental programs. They work together to make up the shortfall that many of our seniors are facing each month. Both programs need to continue to be available as part of the "safety net" for our low-income participants.

USDA reports that the average benefit paid to senior citizens is about $67 per month, but in reality, many senior citizens receive only the minimum monthly benefit of $10, which has not been updated since 1975. USDA figures also report households rather than individual participants and include households with disabled family members.

The proposed transition plan for women, infants and children enrolled in the CSFP is to transfer them to WIC. However, due to increasing coordination between WIC and CSFP at the State and community levels, the number of WIC-eligible mothers and children enrolled in the CSFP is steadily declining. In some States, this figure is less than 2 percent of all enrolled women and children, eradicating supplemental food and nutrition benefits for that population as well. Also of importance is the fact the CSFP covers the non-WIC eligible populations of post-partum mothers from 6monts to 1 year and children up to age 6.

As referenced earlier, CSFP provides a food package that costs USDA about $19 per month. It has a retail value of approximately $50. How does someone use $20 to purchase $50 worth of nutritious foods? What happens at the end of 6 months?

The National Commodity Supplemental Food Program Association respectfully requests that the Senate Agriculture Appropriations Subcommittee take the appropriate actions to funding CSFP for fiscal year 2009 at $175 million as illustrated below:

To continue serving the 473,473 needy seniors (93 percent of participants), women, infants and children (7 percent of participants) currently enrolled in CSFP—$142 Million.

To meet USDA's commodity procurement expenses—$0.7 Million.

To begin meeting the needs of 20,500 eligible seniors in the 5 States with USDA approved plans: Arkansas (5,000), Delaware (2,500), Oklahoma (5,000), New Jersey (5,000) and Utah (3,000)—$6.2 Million.

To serve an additional 104,137 individuals among of our nation's most vulnerable individuals in the 32 States with existing programs and documented additional needs—$23.4 Million.

Total Appropriation needed to maximize this program's effectiveness in serving 617,251 seniors and women and their infants and young children challenged by hunger—$175 Million Total.

With the aging of America, CSFP must be an integral part of USDA Senior Nutrition Policy as well as comprehensive plans to support the productivity, health, independence, and quality of life for America's seniors.

Measures to show the positive outcomes of nutrition assistance to seniors must be strengthened. A 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 incurs hospital costs $2,000 to $10,000 higher per stay. Proper nutrition promotes health, treats chronic disease, decreases hospital length of stay and saves health care dollars.

Rather than eliminating the program, the NCSFPA recommends the following initiatives to strengthen CSFP:

—Develop a formal evaluation process to demonstrate individual and program outcomes of CSFP with Federal, State, and local CSFP managers included in the study design;

—Set "greatest need within a project area" as the priority for service or let each State set its priority for service under a plan approved by the Secretary of Agriculture;

—Support and expand the program in those States that have demonstrated an interest in the CSFP, including the 5 States that already have USDA-approved plans to operate CSFP (Arkansas, Delaware, New Jersey, Oklahoma and Utah) or that have demonstrated a willingness to continue and expand current CSFP services.

This program continues with committed grassroots operators and dedicated volunteers. The mission is to provide quality nutrition assistance economically, efficiently, and responsibly always keeping the needs and dignity of our participants first. We commend the Food and Nutrition Service of the Department of Agriculture and particularly the Food Distribution Division for their continued innovations to strengthen the quality of the food package and streamline administration. We also remain committed to providing quality services in collaboration with the community organizations and volunteers that contribute nearly 50 percent of the resources used in providing these services. We appreciate the continued support from so many diverse senators and attach the letter currently being circulated in support of our program by Senators Stabenow and Domenici. A final, signed copy of the letter should soon be submitted to your committee from your colleagues.

ATTACHMENT 1.—NATIONAL CSFP ASSOCIATION ADMINISTRATIVE EXPENSE VALUE SURVEY FISCAL YEAR 2006

Programs	USDA Reimbursed Cash	Not Reimbursed by USDA Cash	CSFP Expenditures Cash	Goods & Services donated to agency Value	Volunteer Labor Hours Value	Annual Total Program Value	Percent Paid by USDA	Extra Goods donated to CSFP participants
New Hampshire	$416,648	$13,227	$429,875	$6,650	$4108,235	$544,760	76	$2,625
New York	1,804,443	45,000	1,849,443	1,000	296,307	2,146,750	84	12,755
Vermont FB	246,524	300,000	546,524	.....	90,200	636,724	39	2,000
Washington DC	439,098	1,600,000	2,039,098	800,000	172,318	3,011,416	15	.....
Pennsylvania	835,702	53,197	888,899	22,885	186,985	1,098,769	76	92,638
Kentucky	898,857	162,681	1,061,538	22,180	704,282	1,788,000	50	714,055
Mississippi	400,448	.....	400,448	160,370	561,766	1,122,584	36	.....
North Carolina	74,583	30,000	104,583	.....	.....	104,583	71	5,000
South Carolina	212,744	.....	212,744	.....	58,883	271,627	78	2,500
Tennessee [1]	804,260	.....	804,260	.....	.....	804,260	100	.....
Illinois	885,767	3,000	888,767	.....	477,447	1,366,214	65	.....
Indiana	246,603	28,072	274,675	22,000	396,880	693,555	36	443
Michigan	4,490,742	601,805	5,092,547	356,773	2,161,385	7,610,705	59	769,301
Minnesota	802,557	103,225	905,782	19,000	173,068	1,097,850	73	199,000
Red Lake, MN	5,841	.....	5,841	.....	.....	5,841	100	.....
Ohio	709,662	94,228	803,890	65,000	368,251	1,237,141	57	302,000
Wisconsin	276,228	56,458	332,686	3,150	300,691	636,527	43	41,845
Louisiana	4,505,386	250,000	4,755,386	452,000	825,330	6,032,716	75	.....
New Mexico	1,009,150	272,139	1,281,289	97,987	350,283	1,729,559	58	446,378
Texas	708,521	70,000	778,521	15,000	405,900	1,199,421	59	12,000
Colorado	1,193,799	204,168	1,397,967	30,474	612,151	2,040,592	59	878,389
Iowa	222,652	520,767	743,419	.....	29,712	773,131	29	.....
Kansas	333,423	45,715	379,138	46,200	209,986	635,323	52	51,400
Missouri	532,997	29,000	561,997	2,400	398,455	962,852	55	1,010,950
Montana	385,402	35,525	420,927	107,333	2,163,357	2,691,617	14	78,825
Nebraska	756,827	87,486	844,313	21,580	308,475	1,174,369	64	89,709
North Dakota	160,216	7,800	168,016	.....	235,729	403,745	40	.....
South Dakota	160,962	33,520	194,482	.....	32,842	227,324	71	.....
Ogala Sioux, SD	37,341	.....	37,341	.....	.....	37,341	100	.....
Alaska	130,334	48,038	178,372	10,000	45,100	233,472	56	.....
Arizona	883,204	450,000	1,333,204	4,516	1,549,401	2,887,121	31	580,460
California	3,078,203	1,265,849	4,344,052	68,600	2,492,966	6,905,618	45	772,308
Nevada	352,044	97,629	449,673	.....	84,788	534,461	66	113,000
Oregon	78,299	48,000	126,299	.....	75,768	202,067	39	.....

ATTACHMENT 1.—NATIONAL CSFP ASSOCIATION ADMINISTRATIVE EXPENSE VALUE SURVEY FISCAL YEAR 2006—Continued

Programs	USDA Reimbursed Cash	Not Reimbursed by USDA Cash	CSFP Expenditures Cash	Goods & Services donated to agency Value	Volunteer Labor Hours Value	Annual Total Program Value	Percent Paid by USDA	Extra Goods donated to CSFP participants
Washington	132,094	25,000	157,094	250	39,544	196,888	67	.....
Grand Total	28,211,561	6,581,529	34,793,090	2,335,348	15,916,481	53,044,919	53	6,177,579

[1] No information provided.

PREPARED STATEMENT OF THE NATIONAL CONGRESS OF AMERICAN INDIANS

On behalf of the tribal nations of the National Congress of American Indians (NCAI), we are pleased to present our recommendations on the administration's fiscal year 2009 budget for Indian programs.

Agriculture is the second leading employer in Indian Country, and is the backbone of the economy for approximately 130 Native American Tribes. During the last agriculture census in 2002, American Indians operated 56.8 million acres of land and sold $1.64 billion of agricultural products, including $781 million of crops and $857 million of livestock.[1] Agriculture will continue to be an economic driver on Indian Reservations, and USDA programs and services will continue to play a crucial role in the progression of economic development, and agriculture and natural resource programs throughout Indian Country.

NUTRITION ASSISTANCE

The Food Distribution Program on Indian Reservations (FDPIR) provides food assistance to nearly 250 tribes across the country in lieu of participation in the Food Stamp Program. FDPIR is more than simply a supplemental program, in many cases it is the sole source of food for low income tribal members living on or near geographically isolated reservations.

Historically, food packages have included what remains of Federal commodity programs, such as bleached flour, sugar, potatoes, corn, and butter. The immediate and drastic shift from healthy subsistence and traditional foods to foods high in sugar, starch and fat created a quiet epidemic across Indian reservations: diabetes and obesity. It is imperative that food assistance to Indian tribes be improved to deliver better foods to improve human health for tribal members receiving foods from FDPIR.

For decades the USDA's answer to Tribal requests for the inclusion of healthier and more traditional Native foods in the FDPIR food packages has been that the program has insufficient funds. The FDPIR is a crucial program for Indian Tribes, and increased funding is needed to improve the nutrition content of food packages and offset rising transportation and maintenance costs.

The FDPIR budget includes the costs of program administration by the Indian Tribal Organization (ITO) or State agency, food storage, food delivery, vehicle maintenance, employee salaries, nutrition education as well as the purchase of foods for distribution.

—NCAI urges Congress to increase funding to FDPIR above $90 million to support this essential program for Indian tribes.

EXTENSION INDIAN RESERVATION PROGRAM (EIRP)

Congress mandates and funds research and extension services in every county in the Nation except on Indian reservations. The Extension Indian Reservation Program (EIRP) provides the only Federal source for funding to cover the cost of placing extension agents on Indian reservations. Indian reservations have only had access to USDA Offices since 1990, when EIRP was established to provide Indian farmers and ranchers direct access to USDA programs and information. EIRP was authorized to deliver USDA offices on 85 large reservations. Funding, however, has remained low, at only $3 million for fiscal year 2007–2008, and only provides the Federal match for 31 USDA offices, well short of the 85 that were intended.

—NCAI asks that the EIRP program be funded at $8 million a year to improve USDA services to Indian tribes by placing more extension agents on reservations.

INDIAN LAND ACQUISITION PROGRAM

Tribes have been subjected to a myriad of Federal policies that have distributed and redistributed our homelands into an often confusing array of checkerboard land ownership, which significantly stunts efficient agricultural and economic development in Indian Country. USDA provides loans to tribal governments to purchase "highly fractionated" lands under a process delineated in the Indian Land Consolidation Act Amendments of 2004. These loans allow tribes to purchase parcels of land that are considered "highly fractionated," defined as lands that have over 100 individual owners or where no one owner owns more than 10 percent of the parcel). Fractionated land hampers agriculture by taking land out of production while simultaneously becoming grounds for invasive species. Moreover, tracking fractionated land costs the Federal Government significant amounts of money annually, taking

[1] 2002 National Agricultural Statistics Service (NASS).

away from providing beneficial services to Indian communities. It was estimated in 2002 that it would cost just over $2 billion to consolidate all fractionated interests.

—The Indian Land Acquisition Program was authorized at $12 million a year, but has never been funded over $2 million. NCAI requests that this program be funded at $12 million in order to tackle one of the most pressing and long-standing problems in Indian Country.

OUTREACH TO SOCIALLY DISADVANTAGED FARMERS AND RANCHERS (2501 PROGRAM)

The 2501 Program provides outreach and technical assistance to Socially Disadvantaged Farmers and Ranchers, including Indian tribes. This has been the primary source of outreach from the USDA to many minority farmers, and helps to promote agriculture to rural communities. Most tribal communities do not have access to USDA offices, and the 2501 Program provides an opportunity for small communities to participate in agriculture.

—The 2501 Program, Outreach to Socially Disadvantaged Farmers and Ranchers, should be funded at $15 million to improve USDA delivery to tribal communities.

1994 (TRIBAL COLLEGES & UNIVERSITIES) LAND GRANT INSTITUTIONS

Tribal Colleges are the heart and soul of higher education in Indian Country. They are considered one of the most important steps in revitalizing education, culture and language, and the economy in Indian Country. Nonetheless, despite their many obligations and roles, TCUs remain the most poorly funded institutions of higher education in this country.

Over a dozen years since securing land grant status TCUs have yet to be recognized and funded as full partners in the nation's land grant system. Funding at the requested levels is a small but critical first step in addressing disparities that currently exist in the land grant system, and with supporting higher education for Native Americans. (Chart adjusted from March 12, 2008 NCAI Budget Recommendations)

[In millions of dollars]

Program name	Fiscal year 2008	Fiscal year 2009 NCAI request
1994 Institutions' Extension Program	$3.221	$5
1994 Institutions' Equity Grant Program	3.342	3.3
1994 Institutions' Endowment Fund	11.880	12
1994 Institutions' Research Program	1.544	3
1994 Institutions' Community Facilities	4	5
Tribal College Essential Community Facilities Program—(Rural Development)	4	5

PREPARED STATEMENT OF THE NATIONAL CORN GROWERS ASSOCIATION

The National Corn Growers Association (NCGA) appreciates the opportunity to share with the subcommittee our energy and water development appropriations priorities for fiscal year 2009, and we respectfully requests this statement be made part of the official hearing record. In general, our agriculture appropriations priorities include support for the Plant Genomic Research, APHIS Biotechnology Regulatory Service, FAS SPS Issues Resolution, FAS Market Access Program, National Corn to Ethanol Research Center, Ethanol Co-product Utilization, and the Value-Added Product Market Development Grant program.

NCGA's mission is to create and increase opportunities for corn growers. NCGA represents more than 33,000 members and 48 affiliated state organizations and hundreds of thousands of growers who contribute to state checkoff programs.

Genomic Research

The entire corn industry, including the academic research community, grain handlers, growers, industry and seed companies strongly believe that research on plant and plant genomes has substantial long-term benefits. NCGA supports the plant genome research conducted by ARS through its genetic resources, genome sequencing and genome bioinformatics programs. Specifically, this research includes plant and fungal genomics exploration to determine what drives aflatoxin production, what causes susceptibility, and helps us understand plant and fungal nutrient and environmental needs.

NCGA also supports the Cooperative State Research, Education and Extension Service's National Research Initiative. Our research policy supports competitive grants where appropriate

APHIS Biotechnology Regulatory Service

NCGA supports the President's budget request of $16.306 million for the Animal and Plant Health Inspection Service's Biotechnology Regulatory Service program as well as the separate funding stream requested in the budget from the Office of the Secretary that allows for additional potential funds towards the same. This funding request is $4.578 million more than the fiscal year 2008 enacted BRS budget of $11.728 million. These resources are necessary to ensure the agency properly manages its functions associated with this expanding technology to maintain consumer and customer confidence in our strong science-based regulatory structure.

FAS SPS Issues Resolution

NCGA supports the President's budget request for the Foreign Agricultural Service (FAS) Sanitary and Phytosanitary (SPS) program. Unnecessarily restrictive regulations to address plant health risks are major impediments to U.S. market expansion. As trade barriers have been reduced, there has been a dramatic increase in non-tariff trade barriers to trade.

FAS Market Access

NCGA supports the President's budget request of $200 million for the Market Access Program (MAP) within the Foreign Agricultural Service. This program has been successful in maintaining and expanding U.S. agricultural exports and strengthening farm income.

National Corn to Ethanol Research Center

In 2007, fuel ethanol production from corn generated 6.5 billion gallons of ethanol, displacing 5 percent of petroleum imports. Economic forecasting estimates that the United States is capable of producing in excess of 15 billion gallons of ethanol by 2015. Such production is critical to our national economy, energy security and the environment. The National Corn-to-Ethanol Research Center (NCERC) at Southern Illinois University—Edwardsville is in a perfect position to: continue generation of baseline data, serve as training center for Workforce Development and expand as a Lignocellulosic Center of Excellence. To fulfill these objectives, NCGA is seeking additional funding on behalf of NCERC.

The (NCERC) houses a state-of-the-art pilot plant which mimics the commercial production of fuel ethanol. Updated baseline data is continuously re.quired to be reflective of industry changes and their impact on ethanol yields and efficiencies. The goal of this objective is to continue generating baseline data under typical industry operating conditions reflective of changing industry practices and changes in inputs (e.g. fractionization, corn hybrids, enzymes, yeast practices). The baseline data generated by the NCERC is of significant interest to academic, government, industry and trade association researchers as well as ethanol plant operators. The baseline data generated by NCERC provides a critical benchmark for industry and institutional comparison testing. We encourage the committee to provide $400,000 to NCERC for this purpose.

A key component to the success of the ethanol industry over the next decade is to ensure the industry has a ready and available workforce. The rapid growth and expansion of the ethanol industry has created a need for thousands of qualified plant process operations personnel. The NCERC has created a unique Education and Workforce Training Program to address this need. The initial launch of this program, in January 2007, saw 24 displaced auto workers and skilled trades-people successfully complete a comprehensive 5-day ethanol process operator training program. In the past calendar year, the NCERC conducted six installments of Workforce Training with 150 persons successfully completing 50 hours of training in the "Fundamentals of Applied Ethanol Process Operations".

More so, NCERC is well-positioned to train an immediately productive workforce as it plays a unique role in serving the educational mission of the university NCERC provides a year-long, hands-on workforce training program to student interns while conducting commercial testing trials. Since opening in late 2003, nearly 45 interns have helped with the successful operation of the plant and labs.

NCGA requests an additional $1,000,000 to expand the current internship program to meet the growing needs of the industry. Through this endeavor, NCERC will develop and implement a National Biofuels Workforce Training Center.

For cellulose to be a viable feedstock, the process of converting cellulose to ethanol must be optimized. The three "process points" of optimization in the cellulose to ethanol process are: pre-treatment method, enzyme functionality and fermentation or-

ganisms (yeast). The NCERC is a research leader in the conversion of corn to ethanol and its co-product. Therefore, the NCERC is able to more cost-effectively stay on the cutting edge of technology as we enter a new era of converting cellulose to ethanol.

The NCERC is well-positioned to work directly with USDA/ARS, the Department of Energy, and Academic and Industry researchers who are conducting scientific discovery research on the conversion of cellulose to ethanol. This work will spur unlimited investment by private industry as they will make that crucially important decision to enter the cellulose to ethanol market. We encourage the committee to consider NCERC as Lignocellulosic Center of Excellence.

Ethanol Coproduct Utilization

One of the major benefits of using corn as a feedstock for ethanol production is the ability to retain the protein, fat, fiber, vitamins and minerals for use as an animal feed. The co-product of ethanol production, distillers dried grain with solubles (DDGS), results from the concentration and drying of the components remaining after the starch portion of corn is converted to ethanol. Strong global demand for DDGS will be critical in maximizing the potential and profitability of fuel ethanol production from corn while ensuring livestock feed needs are met.

While nearly 16 million tons of DDGS was fed domestically or exported in 2007, use of this alternative feed ingredient may be limited in the future because of real and perceived issues relating to DDGS consistency, quality, flowability and feed efficiency. NCGA encourages the committee to dedicate the resources necessary to greatly expand ARS's efforts in this area, particularly as they relate to DDGS flowability, contaminant mitigation, nutritional value, and nutrient and mineral management issues.

Value-Added Grants

Since its establishment, the Value-Added Producer Grants Program has been a tremendous success. This matching fund program has provided grants to over 900 individual producers, producer-controlled organizations and farmer cooperatives across the Nation since its inception.

With those funds, recipients are empowered to capitalize on new value-added business opportunities that would have otherwise gone unexplored. Their successes have translated into greater and more stable income for producers from the marketplace. It has also served to promote economic development and create needed jobs, especially in rural areas where employment opportunities are often limited. Potential technologies include processing identity-preserved corn varieties and adding value to the non-fermentable components of the corn feedstock.

The benefits of this program far exceed the cost. Given its track record of success, we believe that strong justification exists to provide full funding for USDA's Value-Added Producer Grants Program.

Thank you for the support and assistance you have provided to corn growers over the years. Please feel free to contact Jon Doggett at 202–628–7001 if you need any additional information.

PREPARED STATEMENT OF THE NATIONAL COUNCIL OF FARMER COOPERATIVES

Mr. Chairman, members of the Subcommittee, we would like to thank you for your continued leadership and support for U.S. agriculture. The National Council of Farmer Cooperatives (NCFC) appreciates this opportunity to submit its views regarding the fiscal year 2009 agriculture appropriations bill, and respectfully requests this statement be made part of the official hearing record.

NCFC represents the interests of America's farmer cooperatives. There are nearly 3,000 farmer cooperatives across the United States whose members include a majority of our Nation's more than 2 million farmers.

We believe that our farmer cooperative members offer the best opportunity for America to realize the farmer-focused ideal of American agricultural policy. These farmer cooperatives allow individual farmers the ability to own and lead organizations that are essential for continued competitiveness in both the domestic and international markets.

America's farmer-owned cooperatives provide a comprehensive array of services for their members. These diverse organizations handle, process and market virtually every type of agricultural commodity produced. They also provide farmers with access to infrastructure necessary to manufacture, distribute and sell a variety of farm inputs. Additionally, they provide credit and related financial services, including export financing.

In all cases farmers are empowered, as elected board members, to make decisions affecting the current and future activities of their cooperative. Earnings derived from these activities are returned by cooperatives to their farmer-members on a patronage basis thereby enhancing their overall farm income.

America's farmer cooperatives also generate benefits that strengthen our national economy. They provide jobs for nearly 250,000 Americans with a combined payroll over $8 billion. Many of these jobs are in rural areas where employment opportunities are often limited.

Congress faces many challenges in the current budget environment and we appreciate the difficulty of your task. However, we want to emphasize the continued importance of policies under the current Farm Bill that promote an economically healthy and competitive U.S. agricultural sector.

These programs serve a variety of purposes including: meeting the food and fiber needs of consumers worldwide, strengthening farm income, improving our balance of trade, promoting rural development, and creating needed jobs.

There is a long history of congressional support for farmer cooperatives, recognizing that they serve a variety of essential functions for American agriculture. Some of these functions include: enhancing producers' overall income, managing their risk, capitalizing on new market opportunities, and helping individual farmers work together to compete more effectively in a global economy.

Given these vital tasks that farmer cooperatives perform on behalf of their members, it is extremely important that they retain the flexibility to modernize and adapt to the current and future marketplace confronting U.S. agriculture. Accordingly, in addition to supporting basic farm and commodity programs under the current Farm Bill, we recommend the following:

USDA's Rural Business-Cooperative Service (RB–CS)

Several years ago, the Cooperative Service was eliminated as a separate agency within USDA. Since that time, the focus of research, education and technical assistance for farmer cooperatives has eroded. Funding for such purposes has generally been provided through the salary and expense budget relating to rural development.

For fiscal year 2009, the administration's budget proposal provides $700 million in both budget authority and program level for salaries and expenses for the rural development mission area, compared to $685 million for fiscal year 2008.

Since there is no separate line item relating to programs in support of farmer cooperatives, we recommend that specific language be included, as Congress has approved in the past, relating to farmer cooperatives. Those directives should ensure that programs to encourage the development and continued competitiveness of farmer cooperatives be given a high priority.

Value-Added Agricultural Product Market Development Grants

USDA's Value-Added Agricultural Product Market Development Grants Program encourages and enhances farmer (and farmer cooperative) participation in value-added businesses. These new ventures are intended to help producers capture a larger share of the value of their production and improve their overall income from the marketplace. These activities also promote economic development and create needed jobs in rural areas.

The program is administered on a matching-fund basis, thereby doubling the impact of such grants and helping encourage investment in rural America. As a cost-share program, it has served as an excellent example of an effective public-private partnership. Despite abbreviated funding levels, successful applicants have brought a number of self-sustaining products to market with the initial help of this program.

Since the program's inception, NCFC has been a leader of a coalition of farmers, cooperatives and related rural interests that utilize and strongly support the Value-Added Agricultural Product Market Development Grants Program. Given the importance and success of the program in promoting efforts by farmers to develop new, higher-value products and sustainable increases in farm sector income, the coalition is recommending an increase to $60 million annually in mandatory spending under the upcoming Farm Bill. We are hopeful that the subcommittee will look favorably upon the full level of mandatory funds authorized under that upcoming legislation.

Commodity Purchase Programs

USDA annually purchases a variety of commodities for use in domestic and international feeding programs, including the school lunch program. NCFC strongly supports such programs to: (1) meet the food and nutrition needs of eligible consumers and (2) help strengthen farm income by encouraging orderly marketing and providing farmers with an important market outlet, especially during periods of surplus production.

In addition to providing needed funding for such programs, it is important to ensure that farmers who choose to cooperatively market their products should remain fully eligible for them. Similarly, farmer cooperatives should not be limited or excluded from utilizing these programs, and must remain fully eligible.

As you are well aware, decades of public policy has reinforced the fact that the cooperative stands in the shoes of its farmer-owners, as they act for their mutual benefit. This is consistent with USDA's historical mission in support of such cooperative efforts and essential to ensure the continued availability of high quality products on a competitive basis.

We urge the committee to again include provisions to ensure continued eligibility by farmer cooperatives to the benefit of their farmer members.

B&I Loan Guarantee Program and Farmer Cooperatives

Access to equity capital is one of the major challenges facing farmer cooperatives. A successful resolution of this challenge is essential in helping farmers capture more of the value of what they produce beyond the farm gate.

In approving the current Farm Bill, Congress made a number of changes to USDA's Business and Industry (B&I) guaranteed loan program to better meet the needs of farmer cooperatives and their farmer members. These included changes to allow farmers to qualify for guaranteed loans for the purchase of stock in both new and existing cooperatives to provide the equity capital needed to encourage more involvement and participation in value-added activities.

For fiscal year 2009, the administration's budget proposal provides an overall program level of $700 million, which represents a decrease from the $993 million in loans estimated to be guaranteed in fiscal year 2008. Accordingly, we recommend that resources be increased to at least the fiscal year 2008 estimated level.

Rural Business Investment Program

The Rural Business Investment Program was authorized under the current Farm Bill to help foster rural economic development by encouraging and facilitating equity investments in rural business enterprises, including farmer cooperatives. Again, providing improved access to equity capital is essential if farmers are going to be able to capitalize on value-added business opportunities through farmer cooperatives. For these reasons, we urge that the program be fully funded as authorized and implemented as Congress intended.

USDA Export Programs

We would also like to take this opportunity to express our strong support for USDA's export programs. These programs are vital to maintaining and expanding U.S. agricultural exports, counter subsidized foreign competition, meet humanitarian needs, protect American jobs, and strengthen farm income.

NCFC is a longstanding member of the Coalition to Promote U.S. Agricultural Exports. That coalition is urging that mandatory funding for the Market Access Program be provided at $325 million, together with $50 million for the Foreign Market Development program, under the upcoming Farm Bill. We urge that the subcommittee support the full authorized funding levels for these essential programs.

In addition, we urge full funding for the Export Credit Guarantee Programs, the Export Enhancement Program, Dairy Export Incentive Program, Technical Assistance for Specialty Crops, Food for Progress, as well as Public Law 480 and other food assistance programs, including McGovern-Dole.

Food Aid

NCFC is a member of the Food Aid coalition and strongly supports their testimony. Public Law 480's long history of success has created significant congressional and private sector confidence in the program. Farmer cooperatives have seen these benefits first-hand through our involvement in agricultural development programs with international NGO ACDI/VOCA.

With that background, we urge the subcommittee to reject any proposals to divert funds from Title 1 and Title II of the Public Law 480 program. Though we recognize that the Europeans maintain a different policy in regard to their food aid programs, it is unwise to undermine our strong position in the World Trade Organization negotiations by unilaterally amending Public Law 480.

Foreign Agricultural Service

Additionally, we also want to take this opportunity to urge support for needed funding and resources for USDA's Foreign Agricultural Service. This funding is crucial if we are to continue to effectively carry out such programs and to provide the technical assistance and support needed to help maintain and expand U.S. agricultural exports.

Research

Another important area of emphasis when it comes to enhancing the global competitiveness of farmer cooperatives and American agriculture is research. NCFC supports the National Coalition for Food and Agriculture Research's goal of doubling Federal funding over the next 5 years.

Conservation

We also want to express our strong support for important conservation and related programs administered by USDA's Natural Resources Conservation Service (NRCS). Many of these programs were significantly expanded under the current Farm Bill and provide financial and technical assistance to help farmers and others who are eligible to develop and carry out conservation and related activities to achieve important environmental goals.

NRCS is also the lead technical agency within USDA offering "on-farm" technical and financial assistance. We strongly support such programs, involving technical assistance activities that may be carried out in partnership with the private sector involving farmer cooperatives.

Farmer cooperatives have invested heavily in developing the technical skills of their employees to help their farmer members address environmental concerns. It is estimated that 90 percent of all members of the Certified Crop Advisor (CCA) program, for example, are employed by the private sector and majority of those are employed by farmer cooperatives.

It is important that USDA have the resources to provide these important funds and that the Department continues to refine the technical service program (TSP).

Conclusion

Thank you again, Mr. Chairman and members of the Subcommittee, for the opportunity to share our views. We look forward to working with the committee to ensure continued benefits for rural communities, consumers, American agriculture and our Nation as a whole.

PREPARED STATEMENT OF THE NATIONAL DRINKING WATER CLEARINGHOUSE PROGRAMS FOR SMALL AND RURAL COMMUNITIES

Summary

The National Drinking Water Clearinghouse (NDWC) asks for your continued support for our work to assist small and rural communities in the United States in maintaining safe, affordable drinking water. We request a total of $2 million in fiscal year 2009 to support our regular outreach programs under the NDWC ($1.6 million) and for a focused activity called Special Services to Small Communities ($0.4 million). Our nation-wide services provide information, technical assistance, training, education, and outreach to citizens, government officials, service providers, and regulators for communities with populations of 10,000 or less. The NDWC is supported through the Technical Assistance and Training grants administered under the USDA account for the Rural Community Assistance Program (RCAP). The first two pages of our testimony outline the need and justification for our services. The remainder of the testimony provides descriptive information about the NDWC and Special Services programs.

PROGRAM NEED AND JUSTIFICATION

Need for Federal Programs

The recent media attention given to reports of large amounts of pharmaceuticals found in our drinking water has lead to a public outcry for more stringent treatment of drinking water and wastewater and the implementation of higher standards for water quality. The Environmental Protection Agency (EPA) drinking water survey conducted in 1999 indicated the need for drinking water systems and/or system upgrades to be $48.1 billion for communities of 10,000 or less, and $31.2 billion for communities of 3,300 or less. Regardless of community size, water systems are required to comply with regulations mandated by the Safe Drinking Water Act to ensure safe drinking water to the populace.

The expense of upgrading or installing new water systems is a progressively heavy financial burden on smaller communities. With their limited resources, these communities often lack a solid financial base, adequate equipment, and properly trained water system operators. Faced with regular turn-over in personnel due to constraints on salaries and their lower budgets for installing infrastructure, small and rural communities require Federal services such as training for technical personnel and community officials and information on low-cost options for system de-

signs and maintenance if these communities are to keep expenses within their budget. Without adequate water resources, these communities are not able to grow and prosper. Safe, affordable water infrastructure is an investment in the economic viability and public health of rural America.

Program Justification

To assist small and rural communities address their drinking water challenges, the Technical Assistance and Training [TAT] grants program was started under USDA's Rural Community Advancement Program. The TAT program makes it possible for small and rural communities to maximize their investments in water infrastructure through assistance provided to them for technology selection, operation and maintenance, capacity development, and asset management.

Funding for drinking water and waste water assistance is mandated through the Farm Bill (e.g. the Consolidated Farm and Rural Development Act). The administration requests funding for these assistance programs through the TAT account. However, the amount of funding that the administration requests for the TAT program has been decreasing each year while inflation pressures require the need for more funding just to maintain the same level of effort. The programs of the NDWC provide cost-effective solutions to help small community water systems meet the challenges they face, improve their abilities to comply with the Safe Drinking Water Act (SDWA), and protect public health.

Given the integral role that the NDWC plays in implementing the USDA mandate in providing drinking water assistance services, we seek continued congressional support to maintain our level of activity and are requesting a congressionally directed appropriation through the RCAP TAT program for $2 million. By providing Federal funds to support the NDWC programs, the U.S. Government benefits through the economy-of-scale of supporting one organization (the NDWC) to develop a suite of assistance packages offered free to small communities which do not have the extensive resources needed to develop such programs and services from their own budgets.

NDWC AND SPECIAL SERVICES PROGRAM DESCRIPTIONS

National Drinking Water Clearinghouse Program

For 17 years, the National Drinking Water Clearinghouse at West Virginia University has helped small and rural communities with their water infrastructure management. We have provided assistance in utility security issues since 2001. The NDWC is currently funded at approximately $1 million from fiscal year 2007 funds. fiscal year 2008 funding is pending and would be allocated in September, 2008.

The NDWC provides a range of assistance for small and rural communities. Telephone callers can obtain toll-free technical assistance from our staff of engineers and scientists. Our quarterly publication "On Tap," a magazine about drinking water treatment, financing, and management options, helps communities and small water systems operate, manage and maintain their facilities, while keeping them financially viable. Our comprehensive web site and databases with thousands of entries provide round the clock access to contemporary information on small water systems. Training sessions customized for small and rural areas, teleconferences, web casts and more than 400 free and low-cost educational products give people the instruction and tools they need to address their most pressing water issues. Our services are structured to be of assistance to callers from any community across the Nation and are well received by small community officials and service providers.

Special Services to Small Communities Program

In addition to the National Drinking Water Clearinghouse's knowledge base and technical support, the NDWC is expanding its assistance to underserved communities through technical field support. Underserved communities populate rural Appalachia, the Mississippi Delta, and the U.S.-Mexico Border communities, or "Colonias," and Native American Tribes. The NDWC's funding currently does not provide for direct services to underserved communities. To initiate this program, West Virginia University has provided internal funding to pilot an effort to honor requests for site specific technical support. This support has given small and very small communities assistance through site assessments and feasibility studies that they might not otherwise be able to access for planning needed infrastructure improvements, their financing, and management. We are requesting congressional support for this program which could then be offered free of charge on a wider scale to selected communities across the Nation.

We would appreciate your continued support for the valuable services provided by the National Drinking Water Clearinghouse. Thank you for the opportunity to offer testimony on the USDA programs.

PREPARED STATEMENT OF THE NATIONAL FISH AND WILDLIFE FOUNDATION

Mr. Chairman and Members of the Subcommittee: Thank you for the opportunity to submit testimony regarding fiscal year 2009 funding for the National Fish and Wildlife Foundation (Foundation). We appreciate the Subcommittee's past support and respectfully request your approval of $4 million through the Natural Resources Conservation Service (NRCS) fiscal year 2009 appropriation.

This funding request is well within the authorized levels and would allow the Foundation to uphold our mission and expand our successful partnership with NRCS. Mr. Chairman, I want to make one very important point: we are asking for your support of a well-established conservation program with national significance. The Foundation is an honest broker for the Federal agencies and we have a remarkable track record of bringing private partners together to leverage Federal funds and maximize conservation impacts.

During fiscal year 2000–2006, the Foundation received an average appropriation of $3 million annually to further the mission of NRCS through a matching grant program focused on private lands conservation. We respectfully request that the subcommittee restore the NRCS appropriation for the Foundation in fiscal year 2009 to expand our partnership with NRCS. Together, NRCS and the Foundation have supported nearly 500 grants to conservation districts, universities, Resource Conservation and Development Councils, and non-profit organizations who partner with farmers, ranchers, and foresters to support conservation efforts on private land. Through these efforts, the Foundation leveraged $21 million in NRCS funds into more than $85 million to conserve fish and wildlife habitat, reduce agricultural runoff, and remove invasive species in 49 States, the Caribbean, and the Pacific Islands.

Since the Foundation's establishment by Congress in 1984, the Foundation has built strong partnerships with Federal agencies by convening cooperative efforts to further the conservation of fish, wildlife and plants. In addition to NRCS, the Foundation works closely with the U.S. Fish and Wildlife Service and other Department of Interior agencies, U.S. Forest Service, National Oceanic and Atmospheric Administration, and the Environmental Protection Agency, among others. While the Foundation's Congressional charter requires a minimum of a 1:1 match for federally appropriated dollars, three or more matching dollars are typically leveraged from the non-Federal sector for conservation projects. Therefore, a NRCS appropriation of $4 million in fiscal year 2009 has the potential to turn into $16 million or more for on-the-ground conservation. Funds appropriated by this subcommittee are fully dedicated to project grants and do not cover any overhead expenses of the Foundation.

The Foundation continues to excel in grant-making while providing thought leadership, accountability and sustainable conservation outcomes. Our unique ability to organize Federal agencies and private partners to work together to achieve mutual conservation goals through on-the-ground and in-the-water grant programs is notable and there is significant potential to advance these efforts in fiscal year 2009 and beyond.

Renewal of NRCS funding for the Foundation will attract private sector interest in conservation through corporate sponsorship and direct gifts. With past support from NRCS, the Foundation was successful in attracting $750,000 of matching funds through the Kellogg Foundation to support innovative and sustainable conservation activities on agricultural lands. The Foundation also has strong partnerships with Anheuser-Busch, Southern Company, and the McKnight Foundation, all of whom have a special interest in conserving habitat on private agricultural lands.

Reinstatement of NRCS appropriations will encourage new corporate partnerships to further leverage Federal funds for fish and wildlife conservation on private lands. Through our targeted grants, the Foundation strategically invests Federal funds entrusted to us to achieve measurable success in "moving the needle" on collaborative conservation objectives over the next 5 to 10-year period.

Conserving Fish, Wildlife, Plants and Habitats

Fiscal year 2009 appropriations through NRCS will be focused on mutually agreed upon projects across the country according to our Keystone Initiatives and the objectives of the Foundation's Special Grant Programs, which are specific to a geographic area, group of species, or conservation concern. The Keystone Initiatives represent the new core portfolio of the Foundation's grant making with clearly defined long-term goals, well-articulated strategies, and defined budgets to reach desired outcomes. The Foundation continued implementing a new strategic plan and developing targeted Keystone Initiatives, with the goal of achieving sustainable and measurable conservation impacts.

Four Keystone Initiatives were launched by the Foundation in 2007: (1) Birds (2) Wildlife and Habitats (3) Fish and (4) Marine and Coastal Conservation. Each grant approved under a Keystone Initiative will be designed to provide a measurable outcome that brings us one step closer to the final long-term conservation goal of the Initiative. Achieving success through our Keystone Initiatives will also help to fulfill the objectives of the National Fish Habitat Action Plan, North American Waterfowl Management Plan, and Partners in Flight, among others.

With NRCS appropriations, the Foundation can accelerate our collaborative efforts to achieve long-term conservation impacts for fish and wildlife through our Keystone Initiatives. Increased funding in fiscal year 2009 will also help to strengthen the Foundation's Special Grant Programs, a few of which are highlighted below:

—The Great Lakes Watershed Restoration Fund is a partnership between NRCS, U.S. Fish and Wildlife Service, U.S. Forest Service, Environmental Protection Agency, and NOAA to promote ecosystem restoration in the Great Lakes watershed. Since 2005, the Foundation has leveraged $1.9 million in Federal funds with $3.8 million in partner contributions and matching funds to support 36 projects throughout the watershed. In 2008, the program is anticipated to award an additional $1.5 million to restore and enhance fish and wildlife habitat in the Great Lakes Basin. In January, the Foundation announced a new corporate partnership with ArcelorMittal, an international steel company, which will provide an additional $2.1 million over 3 years for our grant-making in the watershed and help to implement the habitat objectives of the Great Lakes Regional Collaboration.

—The Upper Mississippi River Watershed Fund was established in partnership with the U.S. Forest Service and NRCS to restore and protect the forest ecosystems and watersheds of the Upper Mississippi River drainage area. Intensive land use and expanding navigation of the river have transformed the river and its watershed. Forest restoration and sustainable stewardship is critical to the area's fish and wildlife populations and the ability to address water quality issues. Projects emphasize restoration of bottomland hardwoods, wetlands, and riparian areas to benefit migratory birds, amphibians, fish and other aquatic species. Since 2006, $600,000 in Federal funds was leveraged with $1.4 million in non-Federal funds to support eight projects in five States of the Upper Mississippi River Watershed.

—The Chesapeake Bay Stewardship Fund is a partnership among NRCS, Environmental Protection Agency (EPA), U.S. Fish and Wildlife Service, National Oceanic and Atmospheric Administration, and the U.S. Forest Service to restore and protect water quality and vital habitats within the Chesapeake Bay watershed. As part of the Fund, the Foundation administers EPA's Chesapeake Bay Target Watershed Grants and Small Watershed Grants. In 2008, the Foundation will also partner with NRCS to manage $5 million through their Chesapeake Bay Conservation Innovation Grants program. By convening Federal partners through the Fund, the Foundation serves as a "one-stop-shop" for grantees and plays an important role in maximizing conservation outcomes.

Other Special Grant Programs, including the Pulling Together Initiative, Bring Back the Natives, Coral Reef Conservation Fund, and the Delaware Estuary Watershed Grant Program, continued positive results in 2007 with grantee requests far exceeding available funds. As mentioned, the Foundation is successfully building bridges between the government and private sector to benefit NRCS's mission. With support from this Subcommittee, we can accelerate our investment in commonsense, innovative, cooperative approaches that directly benefit diverse habitats, water quality and quantity, and a wide range fish and wildlife species.

A Tradition of Successful and Accountable Performance

Since 1984, the Foundation has awarded nearly 9,500 grants to over 3,000 organizations in the United States and abroad and leveraged—with its partners—more than $400 million in Federal funds into over $1.3 billion for conservation. NFWF is recognized by Charity Navigator with a 4-star rating for efficiency and effectiveness.

The Foundation has taken important strides to improve our grant review and contracting process to ensure we maximize efficiency while maintaining strict financial and evaluation-based requirements. Interactive tools through our website have improved communication with our stakeholders and helped to streamline our grant making process. We expect that as of spring 2008, the Foundation will be operating under a paperless application system.

Grant-making through our Keystone Initiatives and Special Grant Programs involves a thorough internal and external review process. Peer reviews involve Federal and State agencies, affected industry, non-profit organizations, and academics.

Grants are also reviewed by the Foundation's Keystone Initiative staff, as well as evaluation staff, before being recommended to the Board of Directors for approval. In addition, according to our Congressional Charter, the Foundation provides a 30-day notification to the Members of Congress for the congressional district and State in which a grant will be funded, prior to making a funding decision.

Once again, Mr. Chairman, we greatly appreciate your continued support and hope the subcommittee will approve funding for the Foundation in fiscal year 2009.

PREPARED STATEMENT OF THE NATIONAL ORGANIC COALITION

Chairman Kohl, Ranking Member Bennett, and Members of the Subcommittee: My name is Steven Etka. I am submitting this testimony on behalf of the National Organic Coalition (NOC) to detail our requests for fiscal year 2009 funding for several USDA marketing, research, and conservation programs of importance to organic agriculture.

The National Organic Coalition (NOC) is a national alliance of organizations working to provide a voice for farmers, ranchers, environmentalists, consumers, cooperative retailers and others involved in organic agriculture. The current members of NOC are the Beyond Pesticides, Center for Food Safety, Equal Exchange, Food and Water Watch, Maine Organic Farmers and Gardeners Association, Midwest Organic and Sustainable Education Service, National Cooperative Grocers Association, Northeast Organic Dairy Producers Alliance, Northeast Organic Farming Association-Interstate Policy Council, Rural Advancement Foundation International-USA, and the Union of Concerned Scientists.

We urge the Subcommittee's strong consideration of the following funding requests for various USDA programs of importance to organic farmers, marketers and consumers:

USDA/Agricultural Marketing Service (AMS)

Organic Standards—Request: $6 million.

In fiscal years 2006 and 2007, funding of $2.026 was appropriated for the National Organic Program within the AMS budget. For fiscal year 2008, in keeping with the President's budget request for the program, $3.18 million was appropriated for the National Organic Program. The President's fiscal year 2009 budget proposes that the National Organic Program be funded at $3.98 million.

With the rapid expansion of the organic market in the United States and abroad, the tasks facing the National Organic Program are numerous, yet the resources of the agency are few. The responsibilities of the NOP staff are exploding, as they attempt to enforce the standards governing the growing organic sector. If the funding for this program does not expand significantly to meet the growing needs, we fear that the important work of the NOP will suffer, the integrity of the organic standards will be jeopardized, and public confidence in the USDA organic label will be eroded.

Without a doubt, Congress has been very responsive to the funding needs of the NOP in recent years, in most cases fully funding the increases proposed by the President's budget each year. However, we believe that funding increase requested in the President's budget this year may not be adequate to address the exploding growth of the organic sector.

Some of the difficulties that the NOP has faced in implementing and overseeing the organic standards can be attributed to budget problems. Rulemaking efforts important to organic farmers, consumers, processors and retailers are languishing. For example, USDA has been promising for nearly 2 years to move forward on the proposal of a new, updated pasture standard to govern organic livestock, yet no formal action has taken place. Also, a regulation to clarify the standards for origin of livestock in organic dairy operations is also greatly needed.

In addition, some unfulfilled statutory requirements are still unanswered, despite Congressional prodding.

Specifically, the Senate report language in fiscal years 2004, 2005, 2006, 2007, and 2008 called on the NOP to establish an on-going Peer Review Panel, as called for in Section 2117 of the Organic Foods Production Act of 1990 and Section 205.509 of the Organic rule, to provide oversight and advice to the NOP regarding the accreditation process for organic certifiers.

In recognition of the growing pains that the NOP was experiencing in implementing the new organic standards, the agency wisely sought outside advice for recommendations for program improvements. The NOP contracted with the American National Standards Institute (ANSI) to perform an outside audit of the agency, the results of which were presented in late 2004. The ANSI audit noted numerous tech-

nical and procedural deficiencies in the NOP's operations and suggested corrective actions in several areas. In addition, USDA's own Inspector General's office released an audit report regarding the National Organic Program in July of 2005, which was very critical of the National Organic Program's operations, and also suggested several corrective actions that could be taken by the Agency to resolve the problems. The Members of the National Organic Coalition concur with the recommendations of the ANSI and Office of Inspector General (OIG) audits, and believe that if the NOP were to implement these recommendations, it would be a significant step to resolving many of the concerns that have been raised by the organic community regarding the NOP's operations. However, it is unclear whether these recommendations are being implemented. We believe that the House and Senate Agriculture Appropriations Subcommittees should be kept informed by NOP with regular reports on their progress in complying with these recommendations.

In order to provide the National Organic Program with greater resources to fulfill these required tasks, and for certifier training, National Organic Standards Board support, enforcement, and rulemaking processes, we are requesting $6 million for AMS/National Organic Program, and we are also requesting that the following report language be included:

The Committee is aware that an audit performed by the American National Standards Institute (ANSI) in 2004 and by the USDA Office of Inspector General (OIG) in 2005 made strong recommendations about changes needed in the administration of the National Organic Program. The Committee expects the Agency to take the necessary actions to comply with these recommendations, and to provide a detailed written report to the Committee by December of 2008 regarding progress in implementing these recommendations. The Committee also notes that the agency is long-overdue in publishing regulations for new, updated pasture standards for organic ruminants, and that conflicting standards governing the origin of livestock used in organic dairy operations may require rulemaking on that topic as well. The Committee hopes to see action taken by NOP on these matters during fiscal year 2009. Finally, the Committee expects the NOP to work closely with the National Organic Standards Board to implement the accreditation Peer Review Panel requirements of OFPA and USDA's organic regulations.

USDA/Organic Data Initiatives

Authorized by Section 7407 of the 2002 Farm Bill, the Organic Production and Marketing Data Initiative States that the "Secretary shall ensure that segregated data on the production and marketing of organic agricultural products is included in the ongoing baseline of data collection regarding agricultural production and marketing." The pending 2008 Farm Bill includes draft language continues and enhance this data collection effort as well. As the organic industry matures and grows at a rapid rate, the lack of national data for the production, pricing, and marketing of organic products has been an impediment to further development of the industry and to the effective functioning of many organic programs within USDA. Because of the multi-agency nature of data collection within USDA, the effort to improve organic data collection and analysis must also be undertaken by several different agencies within the Department:

Economic Research Service (ERS)

Collection and Analysis of Organic Economic Data—Request: $750,000.

Since fiscal year 2006, Congress has appropriated $500,000 to USDA's Economic Research Service to continue the collection of valuable acreage and production data, as required by Section 7407 of the 2002 farm bill.

Because increased ability to conduct economic analysis for the organic farming sector is greatly needed, we request $750,000 to be appropriated to the USDA ERS to implement the "Organic Production and Market Data Initiative" included in Section 7407 of the 2002 Farm Bill.

Agricultural Marketing Service (AMS)

Organic Price Collection—Request: language supporting continued funding from RMA to AMS for organic price collection.

Accurate, public reporting of agricultural price ranges and trends helps to level the playing field for producers. Wholesale and retail price information on a regional basis is critical to farmers and ranchers, but organic producers have fewer sources of price information available to them than conventional producers. Additionally, the lack of appropriate actuarial data has made it difficult for organic farmers to apply for and receive equitable Federal crop insurance. AMS Market News is involved in tracking product prices for conventional agricultural products. During the last couple of years, the Risk Management Agency (RMA) has provided some funding to the AMS, through a Memorandum of Understanding, to begin the collection of organic

price data for a few selected commodities. We request that the Committee express its support for the continuation and expansion of this MOU between RMA and AMS.

USDA/CSREES

Organic Transitions Program—Request: $5 million.

The Organic Transition Program, funded through the CSREES budget, is a research grant program that helps farmers surmount some of the challenges of organic production and marketing. As the organic industry grows, the demand for research on topics related to organic agriculture is experiencing significant growth as well. The benefits of this research are far-reaching, with broad applications to all sectors of U.S. agriculture, even beyond the organic sector. Yet funding for organic research is minuscule in relation to the relative economic importance of organic agriculture and marketing in this Nation.

The CSREES Organic Transition Program was funded at $2.1 million in fiscal year 2003, $1.9 million in fiscal year 2004, $1.88 million for both fiscal years 2005 and 2006, and $1.855 million for fiscal years 2007 and 2008. Given the rapid increase in demand for organic foods and other products, and the growing importance of organic agriculture, the research needs of the organic community are expanding commensurately. Therefore, we are requesting that the program be funded at $5 million in fiscal year 2009, consistent with the funding providing in the House's initial fiscal year 2007 Agriculture Appropriations bill. In addition, we are requesting that the Organic Transition Program remain a separate program, and urge the Committee to reject the administration's proposal to subsume the funding for this program with the NRI.

USDA/CSREES

National Research Initiative (NRI)—Request: Language directing CSREES to add a new NRI program area to foster classical plant and animal breeding.

In recent decades, public resources for classical plant and animal breeding have dwindled, while resources have shifted toward genomics and biotechnology, with a focus on a limited set of major crops and breeds. Unfortunately, this shift has significantly curtailed the public access to plant and animal germplasm, and limited the diversity of seed variety and animal breed development. This problem has been particularly acute for organic and sustainable farmers, who seek access to germplasm well suited to their unique cropping systems and their local environment. Without renewed funding in this arena, the public capacity for plant and animal breeding will disappear.

In fiscal years 2005, 2006, and 2007, the Senate Agriculture Appropriations Subcommittee included report language raising concerns about this problem, and urging CSREES to give greater consideration to research needs related to classical plant and animal breeding, when setting priorities within the National Research Initiative. Despite this report language, research proposals for classical plant and animal breeding that have sought NRI funding in the recent years have been consistently declined. Further, the shift in NRI toward work on genomics and biotechnology continues, to the exclusion of classical plant and animal breeding.

Both the House and Senate versions of the Farm Bill include language to make classical plant and animal breeding a priority within the CSREES competitive grant process. The House version includes this language in the Initiative for Future Agriculture and Food Systems (IFAFS) program, whereas the Senate version includes this language within the National Research Initiative (NRI). Whichever version of the language is enacted in final Farm Bill, it will be very helpful to have the point reiterated by the Appropriations Committee.

Therefore, we are encouraging the inclusion of strong report language in the CSREES section of the fiscal year 2009 Agriculture Appropriations bill, to reiterate that CSREES should be making classical plant and animal breeding a priority.

The following report language is offered as a suggestion, though it may need to be modified based on the outcome of the Farm Bill:

Section X of the X Act of 2008 (H.R. 2419) specifies that CSREES make classical plant and animal breeding activities a priority within the (NRI or IFAFS) program. The Committee strongly concurs with the intent of this section, and requests a report from the agency as to its plans for implementing the intent of this important requirement

USDA/CSREES

Sustainable Agriculture Research and Education (SARE)—Request: $15 million (Chapter 1) and $5 million (Chapter 3).

The SARE program has been very successful in funding on-farm research on environmentally sound and profitable practices and systems, including organic production. The reliable information developed and distributed through SARE grants have

been invaluable to organic farmers. We are requesting $15 million for Chapter 1 and $5 million for Chapter 3 for fiscal year 2009.

USDA/Rural Business Cooperative Service

Appropriate Technology Transfer for Rural Areas (ATTRA)—Request: $3 million.

ATTRA is a national sustainable agriculture information service, which provides practical information and technical assistance to farmers, ranchers, Extension agents, educators and others interested in sustainable agriculture. ATTRA interacts with the public, not only through its call-in service and website, but also provides numerous publications written to help address some of the most frequently asked questions of farmers and educators. Much of the real-world assistance provided by ATTRA is extremely helpful to the organic community. As a result, the growth in demand for ATTRA services has increased significantly, both through the website-based information services and through the growing requests for workshops. We are requesting $3 million for ATTRA for fiscal year 2009.

USDA/ARS

Organic Agricultural Systems Research—Request: Devote ARS research dollars commensurate with organic's retail market share.

USDA research programs have not kept pace with the growth of organic agriculture in the marketplace. Although organic currently represents roughly 3.5 percent of total U.S. food retail market, the share of USDA research targeted to organic agriculture and marketing is significantly less. With regard to ARS specifically, efforts have been made to devote greater resources to organic research. In fiscal year 2007, ARS expended approximately $15 million on organic research. While this figure is an increase from previous years, a "fair share" of expenditures would be closer to $40 million annually using organic's retail market share as a basis of comparison. In fact, both the House and Senate versions of the Farm Bill include Sense of Congress language that ARS funding should be dedicated to organic research at a rate commensurate with organic's retail market share.

Not only is organic research not receiving an appropriate share of research dollars, but the ARS research location cuts proposed in the President's fiscal year 2009 budget would result in a disproportionate cut in ARS research. Specifically, much of the flagship organic research being conducted by ARS originates from the Orono, Maine, University Park, Pennsylvania, Urbana, Illinois and Morris, Minnesota research locations. All of these locations are slated for closure under the President's budget request.

Therefore, we are requesting that language be added to the fiscal year 2009 Agriculture Appropriations bill to require ARS to devote dollars toward organic research at a rate commensurate with organic's retail market share, and to reject the President's proposal to close the Orono, Maine, University Park, Pennsylvania, Urbana, Illinois and Morris, Minnesota research locations.

USDA/NRCS

Conservation Security Program—Request: No Funding Limitation.

USDA/Rural Business Cooperative Service

Value-Added Producer Grants—Request: $40 million.

The Conservation Security Program (authorized by Section 2001 of the 2002 farm bill) and the Value-Added Producer Grant (authorized by Section 6401 of the 2002 farm bill) have great potential to benefit organic and conventional producers in their efforts to conserve natural resources and to explore new, value-added enterprises as part of their operations. Unfortunately, while these programs were authorized to operate with mandatory funding, their usefulness has been limited by funding restrictions imposed through the annual appropriations process. We are urging that the Conservation Security Program be permitted to operate with unrestricted mandatory funding, and that the Value-Added Producer Grant Program receive an appropriation of $40 million for fiscal year 2009.

Thank you for this opportunity to testify and for your consideration on these critical funding requests.

PREPARED STATEMENT OF THE NATIONAL POTATO COUNCIL

My name is Ed Schneider. I am a potato farmer from Pasco, Washington and current Vice President, Legislative/Government Affairs for the National Potato Council (NPC). On behalf of the NPC, we thank you for your attention to the needs of our potato growers.

The NPC is the only trade association representing commercial growers in 50 States. Our growers produce both seed potatoes and potatoes for consumption in a variety of forms. Annual production is estimated at 437,888,000 cwt. with a farm value of $3.2 billion. Total value is substantially increased through processing. The potato crop clearly has a positive impact on the U.S. economy.

The potato is the most popular of all vegetables grown and consumed in the United States and one of the most popular in the world. Annual per capita consumption was 136.5 pounds in 2003, up from 104 pounds in 1962 and is increasing due to the advent of new products and heightened public awareness of the potato's excellent nutritional value. Potatoes are considered a nutritious consumer commodity and an integral, delicious component of the American diet.

The NPC's fiscal year 2009 appropriations priorities are as follows:

POTATO RESEARCH

Cooperative State Research Education and Extension Service (CSREES)

The NPC urges that Congress not support the President's fiscal year 2009 budget request to eliminate the CSREES Special Grant Programs. The Potato Special Grant Program supports and fine tunes important university research work that helps our growers remain competitive in today's domestic and world marketplace.

The NPC supports an appropriation of $1,800,000 for the Special Potato Grant program for fiscal year 2009. The Congress appropriated $1,482,000 in fiscal year 2006 and recommended the same amount in fiscal year 2007. However, the program only received $1,112,000 in fiscal year 2008 which was further reduced by the across-the-board cut. The House Subcommittee recommended $1.4 million while the Senate Subcommittee recommended only $750,000. This has been a highly successful program and the number of funding requests from various potato-producing regions is increasing.

The NPC also urges that the Congress include Committee report language as follows:

"Potato Research.—The Committee expects the Department to ensure that funds provided to CSREES for potato research are utilized for varietal development testing. Further, these funds are to be awarded after review by the Potato Industry Working Group."

AGRICULTURAL RESEARCH SERVICE (ARS)

The Congress provided funds for a number of important ARS potato research projects and, due to previous direction by the Congress, the ARS continues to work with the NPC on how overall research funds can best be utilized for grower priorities.

In addition, the Potato Cyst Nematode Laboratory at Cornell University is structurally deficient and may lose its Federal license to operate as a quarantine facility. Its demise would not only jeopardize New York agriculture but also put the U.S. potato industry at risk. Equally important is the risk to the Western United States from the Idaho and Alberta outbreaks. There is also a need for a similar facility in Idaho. A coordinated National Program is critical if export markets are to be maintained and this quarantined pest is to be contained.

The NPC urges that $2.5 million per site be provided for the construction and/or the expansion of such a facility at each location. As an expansion of the Insect Containment Facility at Cornell University (CU), the eastern facility could be operated similarly to the current facility. A potential scenario might envisage a new facility built on CU-donated land with the State of New York providing continued maintenance and utility support and ARS providing research program support. The Western facility could be constructed on University of Idaho land where an existing nematologist is present and a core ARS presence already exists.

Both species of Potato Cyst Nematode (PCN), Golden and Pale, are quarantine pests of potatoes. The Golden nematode was discovered in New York in 1941. The Pale Cyst Nematode was discovered in Idaho in 2006. The Pale Cyst Nematode has also been detected in potato production areas in Alberta, Canada that supply seed potatoes primarily to the Northwestern United States, but also to States such as Florida and North Carolina. Eradication of PCN is difficult because PCN cysts remain viable in the soil for 20 plus years and can be found at soil depths up to 40 inches.

The Quarantine and Management program in New York has confined the nematode to limited acreage for 60 plus years due to yearly surveys by APHIS and New York State Ag and Markets, and the implementation of effective management plans developed by ARS and Cornell University scientists. The continued success of the program has been challenged by a recent discovery of a new race of PCN in New

York and first-time discoveries of PCN in Idaho, Quebec and Alberta. If PCN expands into other States, the entire U.S. potato industry will be affected, not only from direct damage by the pest (up to 80 percent yield loss), but more importantly, by embargoes disrupting interstate and international trade.

Breeding nematode resistant potato varieties is the cornerstone of the New York PCN research team. Access to resistant varieties allows continued production and international marketing of New York potatoes. The New York PCN research team, currently the only one in the United States, is uniquely positioned to develop potato germplasm with viable broad spectrum and durable resistance to PCN and to provide material to other breeding programs in the United States and Canada. Already the New York PCN team has been a major resource for establishing PCN detection programs in Idaho and Quebec, and is providing leadership, resources and expertise to a newly established U.S. PCN working group and to Canadian provincial agencies. Almost 60 percent of the U.S. potato production is in the Pacific Northwest. Without a program to test for resistance as part of the Northwest Potato Breeding program, to support the current containment and eradication program in Idaho and to aggressively survey for possible infections from Alberta, the entire U.S. industry is at risk.

The PCN Laboratory at Cornell is the only U.S. facility that conducts laboratory and greenhouse research on PCN. It is structurally deficient and in danger of being denied its Federal license to operate as a quarantine facility. Constructed as a temporary building prior to 1960, Cornell University engineers have determined that major renovations are not economically feasible. Its demise would put New York agriculture and the U.S. potato industry at risk. Similarly, without a Western facility to conduct this research under Western growing conditions, over 60 percent of the U.S. production is in jeopardy.

FOREIGN MARKET DEVELOPMENT

Market Access Program (MAP)

The NPC also urges that the Congress maintain the spending level for the Market Access Program (MAP) at the authorized level determined by the final version of the new Farm Bill.

Foreign Agriculture Service (FAS)

The NPC supports the President's fiscal year 2009 budget request of $279 million for salaries and expenses of the USDA Foreign Agriculture Service. This level is the minimum necessary for the Agency given the multitude of trade negotiations and discussions currently underway. The Agency has had to absorb pay cost increases, as well as higher operating costs for its overseas offices, such as increased payments to the Department of State for services provided at overseas posts. Recent declines in the value of the dollar, coupled with overseas inflation and rising wage rates, have led to sharply higher operating costs that must be accommodated if FAS is to maintain its overseas presence. However, this minimal budget request does not allow for expanded enforcement activities to assure that various trade agreements are being properly implemented. The Congress should consider increasing the budget request to allow for more FAS trade enforcement activities.

FOOD AID PROGRAMS

McGovern-Dole

The NPC supports the administration's fiscal year 2009 budget request of $108 million for the McGovern-Dole International Food Aid Program. PVO's have been including potato products in their applications for this program.

PEST AND DISEASE MANAGEMENT

Animal and Plant Health Inspection Service (APHIS)

Golden Nematode Quarantine.—The NPC supports an appropriation of $1,266,000 for this quarantine which is what is believed to be necessary for USDA and the State of New York to assure official control of this pest. Failure to do so could adversely impact potato exports. The administration's request is only $800,000.

Given the transfer of Agriculture Quarantine Inspection (AQI) personnel at U.S. ports to the Department of Homeland Security, it is important that certain USDA–APHIS programs be adequately funded to ensure progress on export petitions and protection of the U.S. potato growers from invasive and harmful pests and diseases. Even though DHS staffing has increased, agriculture priorities have not yet been adequately addressed.

Pest Detection.—The NPC supports $45 million for fiscal year 2009 which was the administration's budget request for fiscal year 2008. This increase is essential for the Plant Protection and Quarantine Service's (PPQ) efforts against potato pests and diseases, such as Ralstonia and the Potato Cyst Nematode, and funds many cooperative pest and disease programs. The administration's fiscal year 2009 request is reduced to $31 million.

Emerging Plant Pests.—The President requests $145 million in fiscal year 2009 which the NPC supports. However, this budget request includes only $7.7 million for potato cyst nematode regulatory, control and survey activity. The NPC urges that this program be increased to at least the fiscal year 2008 level of $9.5 million.

The NPC supports having the Congress, once again, include language to prohibit the issuance of a final rule that shifts the costs of pest and disease eradication and control to the States and cooperators.

Trade Issues Resolution Management.—$12,457,000 appropriated in fiscal year 2008 and the President requests $19 million in fiscal year 2009. The NPC supports this increase ONLY if it is specifically earmarked for plant protection and quarantine activities. These activities are of increased importance, yet none of these funds are used directly for plant protection activities. As new trade agreements are negotiated, the agency must have the necessary staff and technology to work on plant-related import/export issues. The NPC also relies heavily on APHIS–PPQ resources to resolve phytosanitary trade barriers in a timely manner.

AGRICULTURAL STATISTICS

National Agricultural Statistics Service (NASS)

The NPC supports sufficient funds and guiding language to assure that the potato objective yield and grade and size surveys are continued. The NPC also urges that additional funds be appropriated so that the agency can continue its vegetable pesticide use surveys, which provide valuable data to the EPA for use in registration and reregistration decisions for key chemical tools. NASS has discontinued these chemical use surveys for fruits and vegetables.

USDA IR–4 Program

For fiscal year 2009 the administration requests $14.795 million for CSREES programs and $4.545 million for ARS programs. The NPC supports this as a minimum. The Program received $11.3 million for the CSREES and $3.8 million for ARS.

PREPARED STATEMENT OF THE NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION

The ubiquitous deployment of state of the art communications infrastructure that is capable of ensuring all Americans have access to the array of communications services that are so essential to our national, economic, and personal security remains a critical national priority.

With this in mind, obviously the communications infrastructure and community development financing programs that are operated under the U.S. Department of Agriculture's Rural Utilities Service (RUS) and Rural Business Cooperative Service (RBCS) are without question more important today than ever before.

Congress and the President alike continue to uniformly advocate the necessity of making advanced broadband services available to every American—including those in the most remote far reaches of our vast Nation. Accomplishing this objective will require the ongoing dedication and commitment of the industry as well as the continuing availability of the strong financing programs that exist within the RUS and RBCS today.

Consequently, NTCA strongly urges policymakers to adopt the following specific fiscal year 2009 funding recommendations for these critical programs.

Rural Utilities Service

—Support the provisions of the President's budget proposal calling for the required subsidy to fully fund the RUS Telecommunications Loan Program's Hardship Account at a $145 million level, Cost of Money Account at a $250 million level, and the Guaranteed Account at a $295 million level.

—Support the provisions of the President's budget proposal calling for the required subsidy to fund the RUS Distance Learning, Telemedicine, and Broadband Program's Broadband Telecommunications Loan Account at $297,923,000 and opposing the President's proposed rescission of the Account's unexpended subsidy amounts from prior fiscal years.

—Request an additional $15 million over the President's budget proposal to maintain funding for the RUS Distance Learning, Telemedicine, and Broadband Program's Telemedicine and Distance Learning Grants Account at the fiscal year 2008 appropriated level of $35 million.
—Reject the President's budget proposal to zero out the Distance Learning and Telemedicine Loan Account under the Distance Learning, Telemedicine, and Broadband Program, and instead provide a level of subsidy to sustain this loan account at a $30 million level.
—Oppose the President's proposed cut of $804,000, from $38,623,000 to $37,819,000, for administration and staffing at the agency. Considering all the new responsibilities the agency has taken on and that policymakers want the loanmaking process to move faster, the agency needs more, not fewer, resources.

Rural Business—Cooperative Service

—The Rural Economic Development Grants Program and the Rural Economic Development Loans Program that are both authorized under Section 313 of the Rural Electrification Act are programs that should be under the purview of the RUS rather than the RBCS as they are authorized by the act established to provide financing options for rural telecommunications and electric utilities. In addition, these Section 313 programs have traditionally been funded in part via interest earnings that are associated with loan prepayments by rural telecommunications and electric borrowers of the various RUS financing programs. The Section 313 loan and grant programs now under RBCS were moved there during the mid-1990s reorganization of the USDA purely as a means of providing the newly formed RBCS with enough programs to administer to legitimize its creation. Sadly the impact of this move has been for the program to move out of the view of the very borrowers it was intended to be available to and who largely fund it via their cushion of credit prepayment interest earnings.
—Preserve the Rural Economic Development Loan Program at an appropriate level corresponding to the need and interest that exists in RUS borrower communities for such assistance.
—Oppose the provisions of the President's budget which seek to permanently cancel and sweep the funds derived for the Rural Economic Development Grant Program Account from the Section 313 cushion of credit payments.
—Encourage the Committee to include the following suggested language to prohibit the sweeping of interest earned on cushion of credit payments to the Treasury or other USDA programs: Notwithstanding any other provision of law, none of the funds appropriated or otherwise made available in this Act may be used to transfer or sweep to the Treasury or other USDA programs any funds derived from interest on the cushion of credit payments, as authorized by Section 313 of the Rural Electrification Act of 1936.

PREPARED STATEMENT OF THE NATIONAL TURFGRASS FEDERATION, INC.

Mr. Chairman and Members of the Subcommittee: On behalf of the National Turfgrass Federation (NTF), I appreciate the opportunity to present to you the turfgrass industry's need and justification for continuation of the $490,000 appropriated in the fiscal year 2009 budget for turfgrass research within the Agricultural Research Service (ARS) at Beltsville, MD. Also, we ask for your support of $450,000 in separate continuing funding for ongoing research programs in Beaver, WV, and $450,000 for Logan, UT. All funding provided by the Committee is requested to go directly to USDA–ARS, not the industry per se.

Restoration of Funding for the Existing ARS Scientist Position and Related Support Activities at Beltsville, MD ($490,000)

NTF and the turfgrass industry are requesting the Subcommittee's support for $490,000 to continue funding for the full-time scientist staff position within the USDA, ARS at Beltsville, MD, focusing on turfgrass research, that was provided by the Committee in the fiscal year 2007 budget, and in the five previous budget cycles. We consider this funding our Congressional "baseline", i.e. that funding which is central to and critical for the mission of the National Turfgrass Research Initiative. We are very grateful for this support and hope the Committee will continue this funding.

Turfgrass is a 50,000,000 acre, $40 billion per year industry in the United States, that is growing exponentially each year. Turfgrass provides multiple benefits to society including child safety on athletic fields, environmental protection of groundwater, reduction of silt and other contaminants in runoff, and green space in home

lawns, parks and golf courses. Therefore, by cooperating with NTF, USDA has a unique opportunity to take positive action in support of the turfgrass industry. While the vast majority of the USDA's funds have been and will continue to be directed toward traditional "food and fiber" segments of U.S. agriculture, it is important to note that turfgrasses (e.g., sod production) are defined as agriculture in the farm bill and by many other departments and agencies. It should also be noted that the turfgrass industry is the fastest growing segment of U.S. agriculture, while it receives essentially no Federal support. There are no subsidy programs for turfgrass, nor are any desired.

For the past 70 years, the USDA's support for the turfgrass industry has been modest at best. The turfgrass industry's rapid growth, importance to our urban environments, and impact on our daily lives warrant more commitment and support from USDA.

A new turfgrass research scientist position within USDA/ARS was created by Congress

in the fiscal year 2001 budget. Additional funding was added in fiscal year 2002 with the total at $490,000. A research scientist was hired, and is now working at the ARS, Beltsville, MD center. A research plan was developed and approved by ARS. This scientist has used the funding for a full-time technician, equipment and supplies to initiate the research plan and for collaborative research with universities. We have an excellent scientist in place, and he is making good progress in establishing a solid program. At this point, losing the funding for the position would be devastating to the turf industry, as significant research has begun.

Request Funding of Ongoing Programs and two ARS Scientist Positions at two ARS Installations @ $450,000 Each (Total: $900,000)

The turfgrass industry also requests that the subcommittee appropriate an additional $900,000 for funding first allocated in fiscal year 2005, and continued in fiscal year 2006 and fiscal year 2007 bills. As a part of the National Turfgrass Research Initiative, the research conducted at Logan, UT and Beaver, WV is vital to the turf industry. We are asking for $450,000 at each location. Following is a brief description of the research that ARS will conduct with this funding:

Beaver, WV, ($450,000).—The lab at Beaver has significant expertise in soils and by-products research. They have excellent staff and facilities already in place. For the turfgrass industry, they are working on improving soil conditions and management systems to make athletic fields softer and with improved turf cover, thereby increasing safety. They also are considering the use of local by-products to develop improved soil systems for parks, lawns, athletic fields and golf courses. Besides being vital to the turf industry, this research is very important to the regional economy and many industrial concerns.

Logan, UT, ($450,000).—Logan, UT is an ideal location for research on drought tolerant grasses and how they function. The Logan lab is world renowned for its efforts in collecting and improving grasses and other native plants for forage and range purposes. With the funding that was initiated in fiscal year 2005, they have directed additional efforts research on breeding and genetics of turfgrass, with emphasis on identifying plant material with superior drought and salt tolerance. Reducing water use, through more drought tolerant plant material, is the number one priority of the turfgrass industry. This research needs to be continued and expanded because of the excellent ongoing research as well as the potential for the future.

THE NATIONAL TURFGRASS RESEARCH INITIATIVE

This Initiative has been developed by USDA/ARS in partnership with the turfgrass industry. The USDA needs to initiate and maintain ongoing research on turfgrass development and improvement for the following reasons:

—The value of the turfgrass industry in the United States is $40 billion annually. There are an estimated 50,000,000 acres of turfgrass in the U.S. Turfgrass is the number one or two agricultural crop in value and acreage in many states (e.g., MD, PA, FL, NJ, NC).

—As our society becomes more urbanized, the acreage of turfgrass will increase significantly. In addition, state and local municipalities are requiring the reduction of water, pesticides and fertilizers on turfgrass. However, demand on recreational facilities will increase while these facilities will still be required to provide safe turfgrass surfaces.

—Currently, the industry itself spends about $10 million annually on applied and proprietary turfgrass research. However, private and university research programs do not have the time nor the resources to conduct basic research and to identify completely new sources of beneficial genes for stress tolerance. ARS turfgrass scientists will enhance the ongoing research currently underway in

the public and private sectors. Because of its mission to conduct the nation's research for agricultural commodities, ARS is the proper delivery system for this research.

—Water management is a key component of healthy turf and has direct impact on nutrient and pesticide losses into the environment. Increasing demands and competition for potable water make it necessary to use water more efficiently. Also, drought situations in many regions have limited the water available and, therefore, have severely impacted the turf industry as well as homeowners and young athletes. Therefore, new and improved technologies are needed to monitor turf stresses and to schedule irrigation to achieve the desired quality. Technologies are also needed to more efficiently and uniformly irrigate turfgrasses. Drought tolerant grasses need to be developed. In addition, to increase water available for irrigation, waste water (treated and untreated) must be utilized. Some of these waste waters contain contaminants such as pathogens, heavy metals, and organic compounds. The movement and accumulation of these contaminants in the environment must be determined.

—USDA conducted significant turfgrass research from 1920–1988. However, since 1988, no full-time scientist has been employed by USDA, Agricultural Research Service (ARS) to conduct turfgrass research specifically, until the recently appropriated funds became available.

ARS and the turfgrass industry enjoy a special, collaborative relationship, and have even entered into a cooperative Memorandum of Understanding (MOU). The turfgrass industry has met on numerous occasions with USDA/ARS officials to discuss the new turfgrass scientist positions, necessary facilities, and future research opportunities. In January 2002, ARS held a customer workshop to gain valuable input from turfgrass researchers, golf course superintendents, sod producers, lawn care operators, athletic field managers and others on the research needs of the turfgrass industry. As a result of the workshop, ARS and the turfgrass industry have developed the National Turfgrass Research Initiative. The highlights of this strategy are as follows:

ARS, as the lead agency at USDA for this initiative, has graciously devoted a significant amount of time to the effort. Like the industry, ARS is in this research endeavor for the long-term. To ARS' credit, the agency has committed staff, planning and technical resources to this effort. Last year was the first time ARS has been able to include some funding in the President's budget for the Turfgrass Research Initiative. However, there are so many issues and needs, that the industry is desperate for answers. Thus, to address the critical research needs, the industry is left with no alternative but to come directly to Congress for assistance through the appropriations process.

The role and leadership of the Federal Government and USDA in this research are justifiable and grounded in solid public policy rationale. ARS is poised and prepared to work with the turfgrass industry in this major research initiative. However, ARS needs additional resources to undertake this mission.

The turfgrass industry is very excited about this new proposal and wholeheartedly supports the efforts of ARS. Since the customers at the workshop identified turfgrass genetics/germplasm and water quality/use as their top priority areas for ARS research, for fiscal year 2008, the turfgrass industry requests that the six positions above be established within USDA/ARS.

For this research we propose an ARS-University partnership, with funding allocated to ARS for in-house research as well as in cooperation with university partners. For each of the individual scientist positions, we are requesting $300,000 for each ARS scientist position with an additional $150,000 attached to each position to be distributed to university partners, for a total of $450,000 per position. We are also asking that the funding be directed to ARS and then distributed by ARS to those university partners selected by ARS and industry representatives.

In addition, the Committee should be receiving the Members' requests for funding of each of the positions described above. We appreciate your strong consideration of each individual member request for the turfgrass research position in his or her respective state.

In conclusion, on behalf of the National Turfgrass Federation and the turfgrass industry across America, I respectfully request that the subcommittee continue in fiscal year 2009 the funding appropriated in fiscal year 2008 for Beltsville, MD, ($490,000) within the Agricultural Research Service. I also request the Subcommittee's support of ongoing research programs at Beaver, WV and Logan, UT @ $450,000 each.

Thank you very much for your consideration and support.

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. Prior to the enactment of the Farm Security and Rural Investment Act (FSRIA) in 2002, the salinity control program had not been funded at the level necessary to control salinity with respect to water quality standards since the enactment of the Federal Agriculture Improvement and Reform Act (FAIRA) of 1996. Inadequate funding of the salinity control program also negatively impacts the quality of water delivered to Mexico pursuant to Minute 242 of the International Boundary and Water Commission. Adequate funding for EQIP, from which the U.S. Department of Agriculture (USDA) funds the salinity program, is needed to implement salinity control measures. The President's budget for fiscal year 2009 requests an appropriation of $1.05 billion for EQIP, with the actual amount to be set by the new Farm Bill. I urge the subcommittee to support an appropriation of at least $1.05 billion to be appropriated for EQIP. I request that the subcommittee designate 2.5 percent, but no less than $20 million, of the EQIP appropriation for the Colorado River Basin salinity control program. I request that adequate funds be appropriated for technical assistance and education activities directed to salinity control program participants.

STATEMENT

The seven Colorado River Basin States, in response to the salinity issues addressed by Clean Water Act of 1972, formed the Colorado River Basin Salinity Control Forum (Forum). Comprised of gubernatorial appointees from the seven Basin States, the Forum was created to provide for interstate cooperation in response to the Clean Water Act, and to provide the States with information to comply with Sections 303(a) and (b) of the act. The Forum has become the primary means for the seven Basin States to coordinate with Federal agencies and Congress to support the implementation of the Salinity control program.

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 USDA. While retaining the Department of the Interior as the lead coordinator for the salinity control program, the amended act recognized the importance of the USDA operating under its authorities to meet the objectives of the salinity control program. Many of the most cost-effective projects undertaken by the salinity control program to date have occurred since implementation of the USDA's authorization for the program. Now, Congress is considering enactment of a new Farm Bill to further define how the Colorado River Basin States can cost-share in a newly designated salinity control program known as the "Basin States Program."

Bureau of Reclamation studies show that quantified damages from the Colorado River to United States water users are about $376,000,000 per year. Unquantified damages are significantly greater. Damages are estimated at $75,000,000 per year for every additional increase of 30 milligrams per liter in salinity of the Colorado River. It is essential to the cost-effectiveness of the salinity control program that USDA salinity control projects be funded for timely implementation to protect the quality of Colorado River Basin water delivered to the Lower Basin States and Mexico.

Congress concluded, with the enactment FAIRA in 1996, that the salinity control program could be most effectively implemented as a component of EQIP. However, until 2004, the salinity control program since the enactment of FAIRA 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 hampered the required quality of water delivered to Mexico pursuant to Minute No. 242 of the International Boundary and Water Commission, United 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 target small watershed improvements which do not recognize that water users hundreds of miles downstream are significant beneficiaries of the salinity control program. Proposals for EQIP funding are ranked in the States of Utah, Wyoming and Colorado under the direction of the respective State Con-

servationists 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" including earmarked funds for the salinity control program. The NRCS concluded that the salinity control program is different from the small watershed approach of EQIP. The watershed for the salinity control program stretches almost 1,200 miles from the headwaters of the river through the salt-laden soils of the Upper 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. Irrigated agriculture in the Upper Basin realizes significant local benefits of improved irrigation practices, and agricultural producers have succeeded in submitting cost-effective proposals to NRCS.

Years of inadequate Federal funding for EQIP since the 1996 enactment of FAIRA and prior to 2004 resulted in the Forum finding that the salinity control program needs acceleration to maintain the water quality criteria of the Colorado River Water Quality Standards for Salinity. Since the enactment of FSRIA in 2002, an opportunity to adequately fund the salinity control program now exists. The President's budget request of $1.05 billion accomplishes the needs of the NRCS salinity control program if the USDA continues its practice of designating 2.5 percent of the EQIP funds appropriated. The requested funding of 2.5 percent, but no less than $20 million, of the EQIP funding will continue to be needed each year for at least the next few fiscal years.

State and local cost-sharing is triggered by and indexed to the Federal appropriation. Federal funding for the NRCS salinity control program of about $19.5 million for fiscal year 2008 has generated about $15.8 million in cost-sharing from the Colorado River Basin States and agricultural producers, or about an 80 percent match of the Federal funds appropriated for the fiscal year.

USDA salinity control projects have proven to be a most cost-effective component of the salinity control program. USDA has indicated that a more adequately funded EQIP program would result in more funds being allocated to the salinity 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.

The Basin States expend 40 percent of the State funds allocated for the program for essential NRCS technical assistance and education activities. Previously, the Federal part of the salinity control program funded through EQIP failed to adequately fund NRCS for these activities, which has been shown to be a severe impediment to accomplishing successful implementation of the salinity control program. Recent acknowledgement by the administration that technical assistance and education activities must be better funded has encouraged the Basin States and local producers that cost-share with the EQIP funding for implementation of the essential salinity control work. I request that adequate funds be appropriated to NRCS technical assistance and education activities directed to the salinity control program participants (producers).

I urge the Congress to appropriate at least $1.05 billion in fiscal year 2009 for EQIP. Also, I request that Congress designate 2.5 percent, but no less than $20 million, of the EQIP appropriation for the Colorado River Basin salinity control program.

PREPARED STATEMENT OF THE ORGANIC FARMING RESEARCH FOUNDATION

The Organic Farming Research Foundation (OFRF) appreciates the opportunity to present our funding requests for the fiscal year 2009 Agriculture, Rural Development, FDA and Related Agencies Appropriations Bill. OFRF is a grower-directed, non-profit foundation working to foster the improvement and widespread adoption of organic farming systems. Organic agriculture plays an important and growing role in U.S. agriculture. Relatively modest investments in organic research and education can significantly increase the economic benefits and environmental services provided by organic systems. As a result, we urge the subcommittee to provide additional resources for organic agriculture in fiscal year 2009.

As the subcommittee begins to fashion an fiscal year 2009 Appropriations Bill, we ask that the subcommittee take note of a new report and recommendations by the USDA National Agricultural Research, Extension, Education and Economics (NAREEE) Advisory Board. The Advisory Board has noted and endorsed the initial efforts of the REE agencies to address organic research and education needs, and

"encourages further development of [these] programs."[1] A number of specific recommendations are made, including the creation of a National Program Leader for Organic Agriculture within USDA–CSREES. The recommendations have been transmitted to Secretary Schafer and the Agriculture and Appropriations Committees of both the Senate and House for further consideration and action.

Unfortunately, the President's fiscal year 2009 budget submission for emerging organic REE programs is completely at odds with the NAREEE Advisory Board's recommendations for greater investigation and development of organic agriculture. Not only does the administration's budget not include an increase in resources for organic research, but it actually proposes severe cuts to current funding levels for organic research, including zero funding for the two main organic research grant programs. As the current funding levels for organic research are already severely inadequate to begin with, we urge the subcommittee to reject the administration's proposed cuts and allocate modest increases for organic research in fiscal year 2009.

Organic product sales are rapidly approaching 4 percent of the domestic food retail market, yet USDAREE expenditures directed explicitly to research and information programs for organic agriculture in fiscal year 2007 reached only slightly above 1 percent of total REE spending. This discrepancy in the share of research funding spent on organics is detrimental to an industry that relies intensively on management and information for its success. By rejecting the administration's proposed cuts to organic research and providing modest increases as outlined below, the subcommittee can help address this discrepancy and promote progress towards the "fair share" benchmark for organic research.

USDA-COOPERATIVE STATE RESEARCH, EXTENSION AND EDUCATION SERVICE

Organic Agriculture Research and Extension Initiative (OREI)[2]

Request—Protect mandatory funding.

OREI is USDA's premier competitive research and education grant program specifically dedicated to investigation of organic agriculture. Due to its success, the program is slated to receive an increase in mandatory funding in the 2008 Farm Bill and we ask that the subcommittee protect the funding level prescribed in the final bill. Even if OREI were to receive the highest number proposed in the Senate Bill ($16 million) the program would still be less than 0.7 percent of total USDA–REE expenditures in fiscal year 2007, but would mark an important step towards reaching the fair share benchmark.. If the program receives a mix of mandatory funding and an authorization for appropriations, or receives only an authorization for appropriations we ask that the Subcommittee provide discretionary funds to the program.

Organic Transitions Research Program (ORG[3]*)*

Request: $5 million.

The Organic Transitions Research Program is one of only two USDA competitive grant programs dedicated to organic research and education. This competitive grants program funds integrated (research, extension, and higher education) projects that specifically focus on helping farmers overcome the production and marketing challenges of transitioning to organic production. ORG-funded projects are currently underway in 15 States. The program is working to deliver the knowledge farmers need to successfully transition to organic production, but the number of funded projects still falls far short of meeting the needs of producers across the country.

After reaching its highest level of funding of $2.1 million in fiscal year 2003, the Organic Transitions Research Program has suffered a sustained cut over the last 5 years. The House of Representatives recognized this imprudent treatment of the Organic Transitions Program by approving $5 million for the program during fiscal year 2007 appropriations deliberations. The subcommittee should begin with this figure in formulating its fiscal year 2009 legislation.

---

[1] "Report and Recommendations from a Focus Session on Organic Agriculture Conducted at the Advisory Board Meeting held in Washington, D.C. on October 29–3 1, 2007". Page 3. National Agricultural Research, Extension, Education and Economics Advisory Board. Transmitted to the Agriculture Secretary and Senate and House Committees on Agriculture, and Appropriations, March 5, 2008.

[2] The Organic Agriculture Research and Extension Initiative (OREI) is authorized by Section 7218 of the Farm Security and Rural Investment Act of 2002 which amended Section 1672B of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 5925b).

[3] The Organic Transitions Program (ORG) is authorized by Section 406 of the Agricultural Research, Extension, and Education Reform Act of 1998 (AREERA) (7 U.S.C. 7626).

USDA—AGRICULTURAL RESEARCH SERVICE

Organic Agricultural Systems Research

Request:

—Restore funding to specific organic research projects proposed for elimination.

—Direct ARS to continue increasing the size and breadth of its organic systems research portfolio.

—Provide $100,000 to disseminate research results through the National Agriculture Library's Alternative Farming Systems Information Center.

Although Agricultural Research Service spending on direct organic research reached 1.5 percent in fiscal year 2007, it is still far short of achieving the fair share goal of matching the organic share of the domestic food retail market, which is now approaching 4 percent. In fiscal year 2009, instead of closing this gap, the President's budget would actually widen it by cutting funding to some of the most important ARS research being conducted on organic systems, as part of an overall 7.5 percent cut in the ARS budget. Specific organic research projects marked for elimination in the President's proposal include: the Pasture Systems and Watershed Management Research at University Park, PA; Invasive Weed Management Research at Urbana, IL, and the New England Plant Soil and Water Research at Orono, ME. We request that the Subcommittee include continued funding for the organic research projects/units that are slated for cuts; and include strong report language directing the agency to continue the growth of its research activity directly focused on organic agriculture.

Subcommittee efforts to direct increased ARS spending on organic research will likely be supported by a Sense of Congress provision set to be included in the 2008 Farm Bill, encouraging ARS to spend a fair share of its research dollars on organic research. Intent to increase funding for the National Agriculture Library's Alternative Farming Systems Information Center will also likely be part of the provision. As a result, we urge the Subcommittee to act upon the intent of Congress and include strong report language directing ARS to increase its expenditures towards a fair share for organic research, with a portion of the increase for usage by National Agriculture Library's Alternative Farming Systems Information Center to disseminate research results. This recommendation is also included in the NAREEEAB report in recommendation #4.

USDA—ECONOMIC RESEARCH SERVICE/NATIONAL AGRICULTURAL STATISTICS SERVICE/ AGRICULTURAL MARKETING SERVICE

Organic Data Initiative[4]

Request: $1 Million.

Data on prices, yields and markets are vital to farmers who are planning what to plant, accessing markets, and applying for crop insurance. Unfortunately, the organic sector is still without vital comprehensive data on par with what is provided by USDA for conventional agriculture, putting organic farmers at a great disadvantage. Despite the growing demand and need, funding for organic data collection has remained stagnant. Although the final 2008 Farm Bill may include some mandatory funding for organic data collection, we urge the Subcommittee to provide additional discretionary funding to help address the large backlog of work that is needed to provide a fair playing field for organic producers.

The data collection and analysis is a cooperative effort among various agencies. For purposes of the Organic Data Initiative, allocation of funds among agencies should be at the discretion of the Secretary.

Organic agriculture is one of the fastest growing segments of American agriculture, but it has not received the level of support that it deserves. The 2008 Farm Bill will likely provide important increases to organic programs, but it will still fall far short of providing a fair share for organic agriculture. It is our hope that the Subcommittee will work to close the fair share gap by protecting any gains made in the 2008 Farm Bill, rejecting the President's fiscal year 2009 proposed budgetary cuts to organic programs, and providing long overdue increases in the organic programs under the Subcommittee's purview for fiscal year 2009.

Disclosure.—Organic Farming Research Foundation was a subcontractor for a grant awarded by the USDA–CSREES Integrated Organic Program. Grant #2207–01384. "Midwest Organic Research Symposium."

[4] The Organic Data Initiative is authorized by Section 7407 of the Farm Security and Rural Investment Act of 2002.

PREPARED STATEMENT OF THE ORGANIZATION FOR THE PROMOTION AND ADVANCEMENT OF SMALL TELECOMMUNICATIONS COMPANIES

Summary of Request

The Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO) seeks the Subcommittee's support for fiscal year 2009 loan levels for the telecommunications loans program administered by the Rural Utilities Service (RUS) in the following amounts:

[In millions of dollars]

Telecommunication hardship loans	145
Treasury telecommunications (cost of money) loans	250
FFB telecommunications (guaranteed) loans	300

In addition, OPASTCO requests that the distance learning, telemedicine, and broadband program be funded at sufficient levels.

OPASTCO is a national trade association of more than 600 small telecommunications carriers serving primarily rural areas of the United States. Its members, which include both commercial companies and cooperatives, together serve over 5.5 million customers in 47 States.

Perhaps at no time since the inception of the RUS (formerly the REA) has the telecommunications loans program been so vital to the future of rural America. The telecommunications industry is at a crossroads, both in terms of technology and public policy. Rapid advances in telecommunications technology in recent years are delivering on the promise of a new "information age." Both Federal and State policymakers have made ubiquitous availability of advanced communications services a top priority. However, without continued support of RUS's telecommunications loans program, rural telecommunications carriers will be hard pressed to continue deploying the infrastructure necessary to achieve policymakers' goals.

Contrary to the belief of some critics, RUS's job is not finished. Actually, in a sense, it has just begun. We have entered a time when advanced services and technology—such as fiber optics, packet switching and transmission, and digital subscriber line (DSL) technology—are expected by customers in all areas of the country, both urban and rural. Moreover, the ability of consumers to use increasingly popular voice over Internet protocol (VoIP) services requires that they first have a broadband connection from a facilities-based carrier. Unfortunately, the inherently higher costs of upgrading the rural wireline network, both for voice and data communications, has not abated.

Rural telecommunications continues to be more capital intensive and involves fewer paying customers per square mile than its urban counterpart. In the Federal Communications Commission's (FCC) September 2004 report on the deployment of advanced telecommunications capability, the Commission noted that "[r]ural areas are typically characterized by sparse and disperse populations, great distances between the customer and the service provider, and difficult terrain. These factors present a unique set of difficulties for providers attempting to deploy broadband services." More recently, the FCC's October 2007 release of statistics on high-speed connections to the Internet in the United States illustrated that low population density has an inverse association with reports that high-speed subscribers are present in an area. Thus, in order for rural telecommunications carriers to continue modernizing their networks and providing consumers with advanced services at reasonable rates, they must have access to reliable low-cost financing.

The relative isolation of rural areas increases the value of telecommunications for these citizens. For example, the availability of broadband connections can make it possible for rural residents to telecommute to otherwise far-away jobs. A modern telecommunications infrastructure can also enable existing businesses in rural areas to grow and expand as well as attract new businesses to the area. Certainly, telecommunications plays a major role in any rural community's economic development strategy.

It is important to note that even after a broadband-capable network has initially been deployed in a rural area, the modernization effort is not over. Continual investment is crucial, because the broadband networks that are deployed today are not the networks that will enable rural areas and the rest of the country to compete globally 5 years from now. Broadband is an evolving concept, subject to constant changes in technology and consumer expectations. As the services and applications that ride over the broadband infrastructure become more bandwidth intensive, carriers will need to expand their broadband network capabilities in order to make these new tools available to the businesses and residences in their areas. The evolv-

ing nature of broadband requires continual investment, and the telecommunications loans program will enable rural telecommunications carriers to do so.

While it has been said many times before, it bears repeating that RUS's telecommunications loans program is not a grant program. The funds loaned by RUS are used to leverage substantial private capital, creating public/private partnerships. For a very small cost, the government is encouraging tremendous amounts of private investment in rural telecommunications infrastructure. Most importantly, the program is tremendously successful. Borrowers actually build the infrastructure and the government is reimbursed with interest.

In addition to RUS's telecommunications loans program, OPASTCO supports sufficient funding of the distance learning, telemedicine, and broadband program. Through distance learning, rural students gain access to advanced classes which will help them prepare for college and jobs of the future. Telemedicine provides rural residents with access to specialized health care services without traveling great distances to urban hospitals. Furthermore, funding that is targeted to finance the installation of broadband transmission capacity will allow more rural communities to gain high-speed access to the Internet and receive other advanced services. In light of the Telecommunications Act's purpose of encouraging deployment of advanced technologies and services to all Americans—including schools and health care providers—sufficient targeted funding for these purposes is essential in fiscal year 2009.

Conclusion

The transformation of the nationwide telecommunications network into an information superhighway, as envisioned by policymakers, will help rural America survive and prosper in any market—whether local, regional, national, or global. However, without the availability of low-cost RUS funds, building and upgrading the information superhighway in communities that are isolated and thinly populated will be untenable. By supporting the RUS telecommunications programs at the requested levels, the subcommittee will be making a significant contribution to the future of rural America.

PREPARED STATEMENT OF PICKLE PACKERS INTERNATIONAL, INC.

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 and diabetes 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. The problem is that many Americans choose not to consume the variety and quantities of fruits and vegetables that are needed for better health.

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. Likewise, the people of this country represent an ever-broadening array of expectations, tastes and preferences derived from many cultural backgrounds. Everyone, however, faces the common dilemma that food costs should remain stable and preparation time continues to be squeezed by the other demands of life. This industry can grow by meeting these expectations and demands 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 is in any "commodity program" and as such, do not rely upon taxpayer subsidies. However, current farm value for just cucumbers, onions and garlic is $2.3 bil-

lion with an estimated processed value of $5.8 billion. These crops represent important sources of income to farmers, and the processing operations are important employers in rural communities around the United States. 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.

VEGETABLE CROPS RESEARCH LABORATORY, MADISON, WISCONSIN

The USDA/ARS Vegetable Crops Research Lab at the University of Wisconsin is the only USDA research unit dedicated to the genetic improvement of cucumbers, carrots, onions and garlic. Three scientists in this unit account for approximately half of the total U.S. public breeding and genetics research on these crops. Their past 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., virus and nematode resistance) 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 twenty other vegetables used by thousands of vegetable growers. The U.S. vegetable seed, grower, and processing industry, relies upon the USDA/ARS Vegetable Crops Research Lab for unique genetic stocks to improve varieties in the same way the U.S. health care and pharmaceutical industries depend on fundamental research from the National Institutes of Health. 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. Past accomplishments by this USDA group have been cornerstones for the U.S. vegetable industry that have resulted in increased profitability, and improved product nutrition and quality.

Both consumers and the vegetable production and processing industry would like to see fewer pesticides applied to food and into the environment in a cost-effective manner. Scientists in this unit 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 in Madison 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, environmental stress resistance like heat and cold, and higher yield have recently been mapped on cucumber chromosomes to provide a ready tool for our seed industry to significantly accelerate the development of resistant cultivars for U.S. growers. Nematodes in the soil deform carrot roots to reduce yield from 10 percent to over 70 percent in major production areas. A new genetic resistance to nematode attack was found to almost completely protect the carrot crop from one major nematode. This group improved both consumer quality and processing quality of vegetables with a resulting increase in production efficiency and consumer appeal. Baby carrots were founded on germplasm developed in Madison, Wisconsin. 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. Using new biotechnological methods, a system for rapidly and simply identifying seed production ability in onions has been developed that reduces the breeding process up to 6 years! A genetic map of onion flavor and nutrition will be used to develop onions that are more appealing and healthy 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 could certainly 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 marker-as-

sisted selection and genome maps of cucumber, carrot and onion will be the methods to implement these genetic improvements. 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.

U.S. FOOD FERMENTATION LABORATORY, RALEIGH, NORTH CAROLINA

The USDA/ARS Food Fermentation Laboratory in Raleigh, NC is the major public laboratory that this industry looks to as a source for new scientific information on the safety of our products and development of new processing technologies related to fermented and acidified vegetables. Over the years this laboratory has been a source for innovations, which have helped this industry remain competitive in the current global trade environment. We expect the research done in this laboratory to lead to new processing and product ideas that will increase the economic value of this industry and provide consumers with safe, high quality, healthful vegetable products.

We seek additional funding to support two new research initiatives for this laboratory that have substantial economic potential for our industry and health benefits for the American public. These are: (1) Preservation of a variety of high nutrient/high antioxidant vegetables using fermentation or acidification techniques so as to maintain the natural levels of beneficial phyotochemicals in convenient to use value-added products; (2) development of techniques to deliver living pro-biotic microorganisms to consumers in fermented or acidified vegetable products.

Certain vitamins (Vitamin C, folic acid) and beneficial phytochemicals in vegetables are stabilized by the low pH in acidified and fermented foods. In addition, low pH makes it possible to preserve vegetables with low heat or, ideally, no heat, which typically minimizes nutrient loss. While many high nutrient/high antioxidant vegetables are pickled to a very limited extent, traditional processes include steps, such as preserving in very high salt or acid followed by washing out the excess salt or acid, that result in loss many of the health-promoting components that diet authorities emphasize when they urge people to increase their consumption of fruits and vegetables. The objective will be develop new low acid/low salt preservation techniques for broccoli, Brussel sprouts, sweet potato, cauliflower, and peppers that will provide high levels of vitamin C, folic acid, carotenoids, glucosinolates, and phenolic compounds to maximize the health benefits of these vegetables in products that are convenient and attractive to consumers.

Most of what we hear about bacteria in foods concerns the pathogens that cause disease. However, lactic acid bacteria are intentionally grown in fermented foods because they are needed to give foods like sauerkraut, yoghurt, cheeses, and fermented salami the characteristic flavors and textures that we desire. There is a growing body of research to indicate that certain living lactic acid bacteria are "probiotic" and can improve human health by remaining in the intestinal tract after they are consumed. Fermented or acidified vegetables may be a good way to deliver such pro-biotic bacteria to consumers. The objective will be to identify pro-biotic lactic acid bacteria that can survive in high numbers in selected vegetable products and investigate the potential for using vegetables as healthful delivery vehicles for pro-biotic organisms.

SUGAR BEET AND BEAN RESEARCH UNIT, EAST LANSING, MICHIGAN

The USDA/ARS East Lansing, Michigan location has the only federally funded research program that is devoted to developing new and/or improved engineering technologies and systems for assessing, retaining, and assuring postharvest quality and marketability of pickling cucumbers and other vegetable products. The postharvest engineering research program currently has a full-time research agricultural engineer whose research is primarily focused on tree fruits. Over the past few years, the Sugar Beet and Bean Research Unit has developed a number of innovative engineering technologies for rapid, nondestructive measurement and inspection of postharvest quality of tree fruits and vegetables, including a novel laser-based multi-spectral scattering technology for assessing the texture and flavor of fruits. The technology may be used for inspecting a variety of vegetable crops. Recently, an advanced hyperspectral imaging system was developed for automated detection of quality/defect of pickling cucumbers.

Currently the location's cucumber postharvest engineering research is grossly under funded. It is crucial that additional funds be provided so that the location can hire a research engineer to carry out research on postharvest sorting, grading and handling of pickling vegetable products at full scale. With the increasing demands from consumers and the government's regulatory agencies for high quality and safe

food products, it is crucial that an effective quality inspection and assurance system be implemented throughout the handling steps between harvest and retail. While new sensors and automated inspection systems are being used in many pickle processing facilities, there still exists considerable room for improving existing technologies and developing new and more efficient sensors and automated methods for postharvest handling and processing of pickling vegetables. Methods currently available for measuring and grading quality of cucumbers and other vegetables are still ineffective or time consuming. Labor required for postharvest handling and processing operations represents a significant portion of the total production cost. New and/or improved technologies are needed to assess, inspect and grade fresh cucumbers rapidly and accurately for various internal and external quality characteristics so that raw products can be directed to, or removed from, appropriate processing or marketing avenues. This will minimize postharvest losses of food that has already been produced and ensure high quality, consistent final product and end-user satisfaction. Research at East Lansing will lead to new inspection and grading technology that will help the pickling industry in delivering high-quality safe products to the marketplace and achieving labor cost savings.

U.S. VEGETABLE LABORATORY, CHARLESTON, SOUTH CAROLINA

The research program at the USDA/ARS Vegetable Laboratory in Charleston, South Carolina, addresses national problems in vegetable crop production and protection with emphasis on the southeastern United States. This research program is internationally recognized for its accomplishments, which have resulted in development of over 150 new vegetable varieties and lines along with the development of many new and improved disease and pest management practices. This laboratory's program currently addresses 14 vegetable crops including those in the cabbage, cucumber, and pepper families, which are of major importance to the pickling industry. The mission of the laboratory is to (a) develop disease and pest resistant vegetable crops and (b) develop new, reliable, environmentally sound disease and pest management programs that do not rely on conventional pesticides.

Continued expansion of the Charleston program is crucial. Vegetable growers depend heavily on synthetic pesticides to control diseases and pests. Cancellation and/or restrictions on the use of many effective pesticide compounds are having a considerable influence on the future of vegetable crop production. Without the use of certain pesticides, growers will experience crop failures unless other effective, non-pesticide control methods are found quickly. The research on improved, more efficient and environmentally compatible vegetable production practices and genetically resistant varieties at the U.S. Vegetable Laboratory continues to be absolutely essential. This gives U.S. growers the competitive edge they must have to sustain and keep this important industry and allow 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 3 years, and a new plant pathologist position needs to be established to 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 at the Wisconsin and South Carolina programs for genetic improvement of crops essential to the pickled vegetable industry, and at North Carolina and Michigan 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. The pickled vegetable industry currently supports research efforts at Wisconsin and North Carolina and anticipates funding work at South Carolina and Michigan as scientists are put in place. Donations of supplies and processing equipment from processors and affiliated industries have continued for many years.

U.S. Vegetable Laboratory, Charleston, South Carolina

The newly constructed laboratory-office building at the U.S. Vegetable Laboratory was occupied in April 2003. Design of the accompanying greenhouse and head house was completed in July 2004. Construction of the head house was completed in 2006. The initial phase of the greenhouse complex is now under construction with an expected completion date in late spring 2008. In fiscal year 2005, $2.976 million was appropriated for construction of greenhouses. In fiscal year 2006, an additional $1.980 million was appropriated for construction of greenhouses, but $7.794 million is still needed for the planned $12.750 million greenhouse complex. This new facility replaces and consolidates outmoded laboratory areas that were housed in 1930s-era buildings and trailers. Completion of the total research complex will provide for the effective continuation and expansion of the excellent vegetable crops research program that has been conducted by the Agricultural Research Service at Charleston for over 70 years.

New funds are needed to establish a plant pathology position to address cucumber diseases, especially the disease caused by a new strain of the downy mildew pathogen that has caused extensive damage to cucumber production in some South Atlantic and Midwestern States during the past 2 years. The plant pathologist is needed to characterize pathogen strains using molecular methodologies and to develop new management approaches and resistant cucumber lines. This new plant pathologist position will greatly contribute to the accomplishment of research that will provide for the effective protection of cucumbers from disease without the use of conventional pesticides. This position will require a funding level of $500,000 for its establishment.

Construction	Current status	Funds needed
Greenhouse	Needed	$7,794,000
Appropriations to Restore		7,794,000

New scientific staff needed	Current status	Funds needed
Plant Pathologist (cucumber disease)	Needed	500,000
New Funds Needed		$500,000

Food Fermentation Laboratory, Raleigh, North Carolina

The current funding for the laboratory is $1,274,000. To carry out the new research initiatives to maximize retention of beneficial components in high nutrient/high antioxidant vegetables and to develop systems to deliver pro-biotic lactic acid bacteria in acidified and fermented vegetable products, we request additional support for the Food Fermentation Laboratory of $200,000 in fiscal year 2009. This will provide support for Post-Doctoral or Pre-Doctoral research associates along with necessary equipment and supplies to develop these new areas of research.

Scientific staff	Current status	Funds needed
Microbiologist	Active	$318,500
Chemist	Active	318,500
Food Technologist/Biochemist	Active	318,500
Microbial Physiologist	Active	318,500
Fiscal Year 2009 Post-doctoral or Predoctoral Research Associates	Needed	200,000
Total Funding Required		1,474,000
Presidential Budget (fiscal year 2009)		1,274,000
New Funds Needed		200,000

Vegetable Crops Research Laboratory Unit, Madison, Wisconsin

Current base funding for three scientists is $868,757, of which $200,000 was added in fiscal year 2002. Emerging diseases, such as downy mildew of cucumber, threaten production of the crop in all production areas. Therefore, we request an additional $200,000 to fully fund the scientists and support staff, including graduate students and post-doctorates for new research searching for genetic resistance to emerging diseases.

Scientific Staff in Place	Current Status	Funds Needed
Geneticist	Active	$320,000
Horticulturist	Active	320,000
Geneticist	Active	320,000
Total Funding Required		960,000
Presidential Budget (fiscal year 2009)		868,757
Appropriations to Restore		91,243
New Funds Needed		200,000

A temporary addition of $200,000 was provided to enhance the research effort of this program in fiscal year 2002, and we greatly appreciate that additional support, but that addition is being proposed for reduction in fiscal year 2009. Thus, the restoration of the funds proposed for reduction, is urgently requested. We request a $291,243 permanent addition this year to sustain the long-term research of this group.

Sugar Beet and Bean Research Unit, East Lansing, Michigan

The location urgently needs to hire a full-time research engineer to develop a comprehensive research program on nondestructive inspection, sorting and grading of pickling cucumbers and other vegetable crops to assure the processing and keeping quality of pickled products. The current base funding for the cucumber engineering research is $200,000. An increase of $150,000 in the current base funding level would be needed to fund the research engineer position.

Scientific Staff in Place	Current Status	Funds Needed
Postdoctoral Research Associate	Active	$200,000
Research Engineer	Needed	150,000
Total Funding Required		350,000
Current Funding		200,000
New Funds Needed		150,000

Thank you for your consideration and expression of support for the USDA/ARS.

Prepared Statement of the Red River Valley Association

Mr. Chairman and members of the Committee, I am Wayne Dowd, and I am pleased to represent the Red River Valley Association as its President. Our organization was founded in 1925 with the express purpose of uniting the citizens of Arkansas, Louisiana, Oklahoma and Texas to develop the land and water resources of the Red River Basin. (Enclosure 1).

The Resolutions contained herein were adopted by the Association during its 83rd Annual Meeting in Shreveport, Louisiana on February 21, 2008, and represent the combined concerns of the citizens of the Red River Basin Area as they pertain to the goals of the Association. (Enclosure 2).

As an organization that knows the value of our precious water resources we support the most beneficial water and land conservation programs administered through the Natural Resources Conservation Service (NRCS). We understand that attention and resources must be given to our national security and the war in Iraq; however, we cannot sacrifice what has been accomplished on our Nation's lands. NRCS programs are a model of how conservation programs should be administered and our testimony will address the needs of the Nation as well as our region.

The President's fiscal year 2009 budget for NRCS indicates a decrease of $142,641,000 (15 percent decrease) from what Congress appropriated in fiscal year 2008, $943,414,000. In addition, the administration eliminated three crucial programs: Watershed & Flood Prevention Operations, Watershed Survey & Planning and RC&D. Along with drastic reductions in the other programs, NRCS manpower for fiscal year 2009 would have to decrease by over 1,500 staff years, if the President's budget is implemented. This is unacceptable.

This means that NRCS conservation assistance to landowners will not be adequately funded, to the detriment of the Nation and our natural resources. We would like to address several of the programs administered by NRCS. Failure to ade-

quately fund these initiatives would reduce assistance to those who want it and the resources that need protection.

Conservation Operations.—This account has been in steady decline, in real dollars, over the past several years. The President's budget included $794,773,000, which is a decrease of $45,553,000 million from what Congress appropriated in fiscal year 2008. Mandated increases in pay and benefits, continuing increases in the "cost of doing business' and budget reductions greatly reduces the effective work that can be accomplished in this account. Allocations should be increased not decreased.

We request a total of $930 million be appropriated for Conservation Operations for NRCS to meet the demands it faces today.

Conservation Technical Assistance is the foundation of technical support and a sound, scientific delivery system for voluntary conservation to the private users and owners of lands in the United States. It is imperative that we provide assistance to all "working lands" not just those fortunate few who are able to enroll in a Federal program. Working lands are not just crops and pasture (commodity staples) but includes forests, wildlife habitat and coastal marshes. The problem is that NRCS personnel funded from "mandatory programs" can only provide technical assistance to those enrolled in these programs, leaving the majority of the agricultural community without technical assistance. We recommend that adequate funding be placed in "Conservation Technical Assistance", and allow NRCS to provide assistance to all who are in need of assistance.

It is our understanding that the Technical Service Providers (TSP) program has not lived up to its expectations. Experience indicates landowners are hesitant to use the program. This program funds projects at a level estimated if NRCS conducted the work. Usually the TSP cost exceeds this estimate and the landowner is responsible for the difference, effectively making the landowner cost share. We believe that TSPs should be used only after NRCS staffing is brought up to levels commensurate with the increase in workload caused by the Farm Bill, not to replace NRCS staffing.

Watershed and Flood Prevention Operations (Public Law 566 & 534).—We are greatly disappointed that the President's Budget provided no funding for watershed operations in the last three fiscal years. There is no doubt that this is a Federal responsibility, in conjunction with a local sponsor. This program addresses all watershed needs to include: flood protection, water quality, water supply and the ecosystem. There is no Corps of Engineer, Bureau of Reclamation or FEMA program to address small watershed needs, before disaster strikes. We recommend that Congress continue to hold oversight hearings to understand the importance and hear how popular this program is to our communities.

Over the past 50 years these projects have developed a $15 billion infrastructure that is providing $1.5 billion in annual benefits to over 47 million people. It is not a Federal program, but a federally assisted program. This partnership between local communities, State agencies and NRCS has been successful for over 50 years. It would take $1.6 billion to fund the existing Federal commitment to local project sponsors. This cost only increases every year if adequate funding is not provided.

All ongoing contracts will be terminated, if you allow this program to end. This will ultimately lead to lawsuits and tort claims filed by both sponsors and contractors, due to the Federal Government not fulfilling its contractual obligation.

We are very appreciative for the funding level of $30 million enacted in fiscal year 2008, but we remind you that no funding was provided in fiscal year 2007, the year Congress turned over the budget to the administration—we can not allow that to happen again. For every $1 spent, the Nation realizes $2 in benefits. Congress must take back responsibility for this program.

There are many new projects, which are awaiting funds for construction under this program. We strongly recommend that a funding level of $190 million be appropriated for Watershed Operations Programs, Public Law 534 ($20 million) and Public Law 566 ($170 million).

The Red River has proven, through studies and existing irrigation, to be a great water source for "supplemental" irrigation. The two projects mentioned below, will use existing, natural bayous to deliver water for landowners to draw from. The majority of expense will be for the pump system to take water from the Red River to the bayous. These projects will provide the ability to move from ground water dependency to surface water, an effort encouraged throughout the Nation. Both will enhance the environmental quality and economic vitality of the small communities adjacent to the projects.

—*Walnut Bayou Irrigation Project, AR.*—Plans and specifications have been completed and it is ready to proceed into the construction phase. An irrigation district has been formed and they are prepared to take on the responsibility to

generate the income for the O&M required to support this project. We request that $4,000,000 be appropriated for these projects in fiscal year 2009.

—*Red Bayou Irrigation Project, LA.*—The plans and specifications have been completed, making this project ready for construction in fiscal year 2007. An irrigation district has been formed and is prepared to collect funds to support the O&M for this proposed system. We request that $2,500,000 be specifically appropriated to begin construction in fiscal year 2009.

Watershed Rehabilitation.—More than 10,400 individual watershed structures have been installed nationally, with approximately one-third in the Red River Valley. They have contributed greatly to conservation, environmental protection and enhancement, economic development and the social well being of our communities. More than half of these structures are over 30 years old and several hundred are approaching their 50-year life expectancy. Today you hear a lot about the watershed approach to resource management. They protect more people and communities from flooding now than when they were first constructed. The benefit to cost ratio for this program has been evaluated to be 2.2:1. What other Federal program can claim such success?

In the next 5 years over 900 watershed structures will require over $570 million for rehabilitation. Each year this number increases as more dams reach their 50-year life. There is no questioning the value of this program. The cost of losing this infrastructure exceeds the cost to reinvest in our existing watersheds. Without repairing and upgrading the safety of existing structures, we miss the opportunity to keep our communities alive and prosperous. It would be irresponsible to dismantle a program that has demonstrated such great return and is supported by our citizens. We cannot wait for a catastrophe to occur, where life is lost, to decide to take on this important work.

The President's budget neglects the safety and well being of our community needs and only recommends $6 million for this program. This is drastically lower than the levels authorized in the 2002 Farm Bill, which authorized $600 million for rehabilitation for 2003–2007.

We request that $65 million be appropriated to provide financial and technical assistance to those watershed projects where sponsors are prepared (35 percent cost share) to commence rehabilitation.

Watershed Survey and Planning.—In fiscal year 2006, $6.1 million was appropriated to support this extremely important community program. Again, no funding was provided in fiscal year 2007 and Congress did not provide funding for fiscal year 2008. NRCS has become a facilitator for the different community interest groups, State and Federal agencies. In our States such studies are helping identify resource needs and solutions where populations are encroaching into rural areas. The administration and Congress has decided not to fund this program. We disagree with this and ask Congress to fund this program at the appropriate level.

Proper planning and cooperative efforts can prevent problems and insure that water resource issues are addressed. Zeroing out the planning process assumes the economy will not grow and there is no need for future projects. We do not believe anyone supports or believes this. Another serious outcome is that NRCS will lose its planning expertise, which is invaluable.

We request this program be funded at a level of $35 million.

We request that the following two studies be specifically identified and funded in the fiscal year 2009 appropriation bill.

—*Maniece Bayou Irrigation Project, AR.*—This is a project in its initial stage of planning. An irrigation district is being formed to be the local sponsor. This project transfers water from the Red River into Maniece Bayou where landowners would draw water for supplemental irrigation. We request that $200,000 be appropriated to initiate the plans and specifications.

—*Lower Cane River Irrigation Project, LA.*—The transfer of water from the Red River to the Lower Cane River will provide opportunities for irrigation and economic development. Funds are needed to initiate a Cooperative River Basin Study. We request that $250,000 be appropriated for this study.

Resource Conservation and Development (RC&D).—This has traditionally been a well-received program by the administration, but not this year. Their budget proposal zeroes out this important program. This program leverages its resources at 4 to 1, with communities, local sponsors and non-government organizations. The benefits are realized at over 14 to 1, average per project. We are truly surprised the administration would do this.

We request that $51 million be appropriated for this program, at the same level as in fiscal year 2008.

Mandatory Accounts (CCC) Technical Assistance (TA).—Request for assistance through the CCC programs has been overwhelming. Requests far exceed the avail-

able funds and place an additional workload on NRCS's delivery system. Adequate funding for TA must be provided at the full cost for program delivery. This includes program administration, conservation planning and contracting with each applicant. Congress, in the 2002 Farm Bill, wisely increased conservation programs each year. This increased investment, will increase the NRCS workload. It is imperative that NRCS receive the TA funding levels required to administer these programs. If they do not receive full funding these programs will not realize their full capability.

It has been mandated that a set percent of TA, from the CCC Program, must be used for TSPs, approximately $40 million. This is equivalent to losing 600 staff years from NRCS manpower. This is another unacceptable policy, which will reduce the effectiveness of NRCS. This mandate must be eliminated.

Over 70 percent of our land is privately owned. This is important in order to understand the need for NRCS programs and technical assistance. Their presence is vital to ensuring sound technical standards are met in conservation. These programs not only address agricultural production, but sound natural resource management. Without these programs and NRCS properly staffed to implement them, many private landowners will not be served adequately to apply conservation measures needed to sustain our natural resources for future generations. Technical Assistance cannot be contracted out to private companies.

We are all aware of the issue with TMDL levels in our waterways. If our Nation is to seriously address this we must look at the impacts from our farmlands. Assistance for land treatment plans and plan implementation is exactly what the NRCS Watershed programs are intended to address. Watershed programs should be receiving an increase in funds, not zeroed out!

With these new clean water initiatives why do we ignore the agency that has a proven record for implementing watershed conservation programs? Congress must decide; will NRCS continue to provide the leadership within our communities to build upon the partnerships already established? It is up to Congress to insure NRCS is properly funded and staffed to provide the needed assistance to our taxpayers for conservation programs.

These NRCS studies and watershed projects are an example of true "cooperative conservation" initiatives. There is an interface with communities and local sponsors at each step of the process and local sponsors do cost share at the levels expected of them.

All these programs apply to the citizens in the Red River Valley and their future is our concern. The RRVA is dedicated to work toward the programs that will benefit our citizens and provide for high quality of life standards. We therefore request that you appropriate the requested funding within these individual programs, to insure our Nation's conservation needs are met.

I thank you for the opportunity to present this testimony on behalf of the members of the Red River Valley Association and we pledge our support to assist you in the appropriation process. Please direct your comments and questions to our Executive Director, Richard Brontoli, P.O. Box 709, Shreveport, LA 71162, (318) 221–5233, E-mail: redriverva@hotmail.com.

Grant Disclosure.—The Red River Valley Association has not received any Federal grant, sub-grant or contract during the current fiscal year or either of the 2 previous fiscal years.

ENCLOSURE 1.—RED RIVER VALLEY ASSOCIATION

The Red River Valley Association is a voluntary group of citizens bonded together to advance the economic development and future well being of the citizens of the four State Red River Basin area in Arkansas, Louisiana, Oklahoma and Texas.

For the past 80 years, the Association has done notable work in the support and advancement of programs to develop the land and water resources of the Valley to the beneficial use of all the people. To this end, the Red River Valley Association offers its full support and assistance to the various Port Authorities, Chambers of Commerce, Economic Development Districts, Municipalities and other local governmental entities in developing the area along the Red River.

The Resolutions contained herein were adopted by the Association during its 83rd Annual Meeting in Shreveport, Louisiana on February 21, 2008, and represent the combined concerns of the citizens of the Red River Basin area as they pertain to the goals of the Association, specifically:

—Economic and Community Development
—Environmental Restoration
—Flood Control
—Irrigation
—Bank Stabilization

—A Clean Water Supply for Municipal, Industrial and Agricultural Uses
—Hydroelectric Power Generation
—Recreation
—Navigation

The Red River Valley Association is aware of the constraints on the Federal budget, and has kept those constraints in mind as these Resolutions were adopted. Therefore, and because of the far-reaching regional and national benefits addressed by the various projects covered in the Resolutions, we urge the members of Congress to review the materials contained herein and give serious consideration to funding the projects at the levels requested. We can be contacted at (318) 221–5233 or redriverva@hotmail.com.

ENCLOSURE 2

RED RIVER VALLEY ASSOCIATION FISCAL YEAR 2009 APPROPRIATIONS—NATURAL RESOURCES CONSERVATION SERVICE (NRCS)

[In thousands of dollars]

Discretionary Accounts	Fiscal Year 2008 Approp	RRVA 2009 Request	Pres. 2009 Budget
Conservation Operations	840,326	930,000	794,773
Watershed & Flood Prevention Operations	30,000	190,000	.....
Walnut Bayou Irrigation Project, AR	.....	4,000	.....
Red Bayou Irrigation Project, LA	.....	1,600	.....
Watershed Rehabilitation	20,000	65,000	6,000
Watershed Survey & Planning	.....	35,000	.....
Maniece Bayou Irrigation Project, AR	.....	200	.....
North Wallace Lake Watershed, LA	.....	250	.....
Resource Conservation & Development	51,088	51,000	.....
Healthy Forest Reserve Program	2,000	5,000	.....

NOTE: The President's fiscal year 2009 budget is 15 percent less than Congress appropriated in fiscal year 2008!

PREPARED STATEMENT OF THE SOCIETY FOR WOMEN'S HEALTH RESEARCH AND WOMEN'S HEALTH RESEARCH COALITION

On the behalf of the Society for Women's Health Research and the Women's Health Research Coalition, we are pleased to submit testimony in support of increased funding for the Food and Drug Administration (FDA), and more specifically for the Office of Women's Health, a critical focal point within the Agency on women's health.

The Society is the only national non-profit women's health organization whose mission is to improve the health of women through research, education, and advocacy. Founded in 1990, the Society brought to national attention the need for the appropriate inclusion of women in major medical research studies and the need for more information about conditions affecting women disproportionately, predominately, or differently than men.

The Coalition was created by the Society in 1999 to give a voice to scientists and researchers from across the country that are concerned and committed to improving women's health research. The Coalition now has more than 650 members, including leaders within the scientific community and medical researchers from many of the country's leading universities and medical centers, as well as leading voluntary health associations, and pharmaceutical and biotechnology companies.

The Society and the Coalition are committed to advancing the health status of women through the discovery of new and useful scientific knowledge. We strongly believe that appropriate funding of the FDA by Congress is absolutely critical for the Agency to be able to maintain basic functions and to assure the American public of the safety of our food and drugs. Unfortunately, the present state of the FDA does not permit for scientific growth or adequate food and drug protection. In reality, the FDA infrastructure is failing and it cannot prepare for the future as it is still trying to catch up from the past. It has been chronically under funded and lacks strength in areas needed most, specifically information technology (IT). The administration's current proposed budget of $1.72 billion, a $50 million increase for fiscal year 2009 does not even begin to address the major short falls of the FDA. Therefore, the Society urges Congress to provide the FDA with an increase of $380 million, bringing the FDA's fiscal year 2009 budget to $2.1 billion. This increase in funding would be a major stepping stone for the FDA to start rebuilding its infrastructure so it

may provide citizens with the food and drug protection promised in its mission, and begin to address the shortage of resources and failing IT systems.

In addition, many Offices and Centers within the FDA have suffered under the chronic underfunding. The Office of Women's Health (OWH) is one such example. To address years of flat funding, we recommend that Congress increase funding for OWH. OWH's women's health programs, often conducted with the Agency centers, are necessary if we are to maintain any focus on women's health within the FDA. They are critical to improved care and increased awareness of disease-specific impacts to women. OWH endeavors to ensure, for example, 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. Therefore, we strongly urge Congress to support a $6 million budget for OWH for fiscal year 2009 within the budget for the FDA. In addition, we also recommend that the current budget is not only increased in the future, but should also never be less than the administration's current proposed budget of $5 million for fiscal year 2009.

FDA INFORMATION TECHNOLOGY SYSTEMS

Under recent evaluation by the Science Board to the FDA, the FDA's IT systems were found to be inefficient and incapable of handling the current demands placed on the Agency, thus preventing the FDA from fulfilling its mission to protect its citizens. Equipment is outdated, often unsupported by maintenance, and regularly breaks down. While 83 percent of the budget goes towards workforce support, IT is privately contracted out to keep costs lower. The IT system simply cannot keep up with current scientific data and market trends, and will only continue to worsen as server age beyond usefulness increases, and serviceability and email networks fail multiple times per day for a system that needs to function 24/7.

The antiquated nature of the IT systems makes the agency unable to conduct safety analyses for product marketing applications, track the natural history and disease models for rare disorders, and access huge amounts of clinical data. In addition, one central database does not exist, therefore the system cannot query a centralized repository for all relevant facts about a certain product including where, when and how the product was made. There is a desperate need to create one single database for all relevant information to be stored across agencies, so as to maximize functionality not only of FDA but of expected research and analysis needed by the American public.

Estimations have shown that it would take $200 million ($40 million/year) over the course of 5 years to begin the process of improving the IT system. However, with the administration's proposed fiscal year 2009 budget of only $50 million for the entire agency, this update will be close to impossible. It is up to Congress to address the shortfall to the FDA and provide it a $380 increase to begin IT transformation among many other improvements.

OFFICE OF WOMEN'S HEALTH

The Office of Women's Health (OWH) at the FDA, established in 1994, plays a critical role in women's health, both within and outside the Agency, supporting sex- and gender-based research, areas in which the Society has long been a proponent. OWH provides scientific and policy expertise on sex and gender sensitive regulatory and oversight issues; endeavors to correct sex and gender disparities in the areas for which the FDA is responsible—drugs, devices, and biologics; and monitors women's health priorities, providing both leadership and an integrated approach across the FDA. Despite inadequate funding, OWH provides all women with invaluable tools for their health.

With little difficulty, OWH exhausts its tiny budget each year. For the previous 5 years, OWH had been provided a flat budget of $4 million. That is, in essence, a decrease due to required Federal cost of living adjustments, benefit cost increases and other related issues. Despite this squeeze, the office has managed to advance its mission both within the Agency and externally through it research grants, drug and disease pamphlets and outreach programs. OWH's pamphlets are the most requested of any documents at the government printing facility in New Mexico. (More than 3.5 million pieces are distributed to women across the Nation including target populations such as Hispanic communities, seniors and low income citizens.)

Despite the $1 million increase the OWH received for fiscal year 2008, it has been flat lined for fiscal year 2009. The OWH is in desperate need of increased funding so that it may not only continue work on current projects, but also expand for the future.

Since its beginning, OWH has funded high quality scientific research to serve as the foundation for Agency activities that improve women's health. To date, OWH

has funded over 100 research projects with approximately $15.2 million intramural grants, supporting projects within the FDA that address knowledge gaps or set new directions for sex and gender research. Extramural contracts leverage a wealth of expertise and other resources outside the FDA to provide insight on regulatory questions pertinent to women's health. All contracts and grants are awarded through a competitive process. A large number of these studies are published and appear in peer reviewed journals.

OWH funds research to more fully understand heart disease in women. Despite being the number one cause of death, women with heart disease face misdiagnosis, delayed diagnosis, under-treatment, and mistreatment due to their under-representation in heart-related research studies. Extramural research funded by OWH is looking into the use of coronary stents in women and problems associated with breast interference in interpretation of heart catherization studies. Most recently, they participated in a Sister-2-Sister Women's Heart Day conference in Washington, DC.

As part of its educational outreach efforts to consumers, OWH continues to work closely with women's advocacy and health professional organizations to provide clarity on the results of the Women's Health Initiative. Due to OWH efforts, an informational fact sheet about menopause and hormones and a purse-sized questionnaire to review with the doctor were distributed to national and local print, radio, and Internet advertisements. OWH's website received over three million hits to download campaign materials. This website provides free, downloadable fact sheets on over 40 different illnesses, diseases, and health related issues.

In addition, OWH has completed medication charts on seven chronic diseases. These are unique within the Agency. These charts list, in one place, all the medications that are prescribed and available for each disease. Again, the information is available on the website and is ideal for women to use in talking to their doctors, pharmacists or nurses about their treatment options.

OWH continues to improve the health of women through new research initiatives. Most recently, they have conducted projects addressing the participation of women and racial minorities in clinical trials for diabetes mellitus medications. They have collaborated with Pharmacy Choice, Inc. to create a web portal solely dedicated to FDA consumer health education materials, providing access to fact sheets and medication guides.

As a result of the FDA antiquated IT system, combined with the inability to keep pace with IT needs due to budget constraints, the OWH has been unable to conduct much needed data analysis on women's health and sex-related differences. This effort originally started in 2001, when the Society submitted testimony on behalf of the OWH in support of a centralized FDA database to coordinate clinical trial oversight, monitor the inclusion of women in clinical trials, oversee the parameters of informed consent, and identify health provider training needs. As a result of Society efforts and this Committee's commitment, in 2002 Congress provided the OWH with funds to develop an agency-wide database focused on women's health activities to include demographic data on clinical trials. OWH did begin developing this database, now known as the "Demographic Information and Data Repository," to review clinical studies, enhance product labeling, identify knowledge gaps, and coordinate data collection. While $500,000 was granted for this project, the OWH was unable to design a system to communicate with the current IT system and could not access data that remained in a paper/manual process. The reason for this and other projects failures is attributed to the severely inadequate IT system at the FDA.

Currently, the FDA receives large volumes of information in applications from drug manufacturers for review and evaluation. The FDA reviewers must manually comb through the submitted drug trial reports and digital data in as many as twelve formats to evaluate a new drug's safety and effectiveness. With no uniform system or database, reviewers must handpick sex, age, and ethnicity information manually from stacks of paper reports and craft their own data comparisons. This is time consuming, makes the review process less efficient, is error-prone and delays access to important information.

Scientific and medical advances are occurring rapidly and the public needs and deserves access to the most recent and accurate information regarding their health. Therefore, in order to fully capitalize on the potential of the data warehouse and the resulting wealth of information, we urge Congress to commit $1 million to OWH for the Demographic Information and Data Repository. It is time for us all to recognize that the Agency must utilize up-to-date information technology and that it sorely needs the resources to maintain them.

Scientists have long known of the anatomical differences between men and women, but only within the past decade have they begun to uncover significant biological and physiological differences. Sex differences have been found everywhere

from the composition of bone matter and the experience of pain, to the metabolism of certain drugs and the rate of neurotransmitter synthesis in the brain. Sex-based biology, the study of biological and physiological differences between men and women, has revolutionized the way that the scientific community views the sexes, with even more information forthcoming as a result of the sequencing of the X chromosome.

Much of what is known about sex differences is the result of observational studies, or is descriptive evidence from studies that were not designed to obtain a careful comparison between females and males. The inclusion of women in study populations by itself is insufficient to address the inequities in our knowledge of human biology and medicine, and only by the careful study of sex differences at all levels, from genes to behavior, will science achieve the goal of optimal health care for both men and women. Sex differences play an important role in disease susceptibility, prevalence, time of onset and severity and are evident in cancer, obesity, heart disease, immune dysfunction, mental health disorders, and other illnesses. Physiological and hormonal fluctuations may also play a role in the rate of drug metabolism and effectiveness of response in females and males. This research must be supported and encouraged.

Building upon sex differences research, the Society encourages the establishment of drug-labeling requirements that ensure labels include language about differences experienced by women and men. Furthermore, we advocate for research on the comparative effectiveness of drugs with specific emphasis on data analysis by sex. When available, this information should be on labels.

Our country's drug development process has succeeded in delivering new and better medications to ensure the health of both women and men. However, there is no requirement that the data acquired during research of a new drug's safety and effectiveness be analyzed as a function of sex or that information about the ways drugs may differ in various populations (e.g., women requiring a lower dosage because of different rates of absorption or chemical breakdown) be included in prescription drug labels and other patient educational and instructional materials.

The Society believes the opportunity is now before us to communicate sex differences data discovered from clinical trials to the medical community and to consumers through drug labeling and packaging inserts and other forms of alerts. As part of advancing the need to analyze and report sex differences, the Society encourages the FDA to continue adequately addressing the need for accurate drug labeling in order to identify important sex differences, 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 the patient.

In conclusion, Mr. Chairman, we thank you and this Committee for its strong record of support for the FDA and women's health and your commitment to OWH. We recommend that you increase the overall fiscal year 2009 budget for the FDA by $380 million, so that it may dramatically improve upon current operations while also rebuilding its IT infrastructure. Secondly, we urge you to allocate $6 million for the Office of Women's Health for fiscal year 2009, and to ensure that future budget appropriations for the OWH are never below current funding levels. We look forward to continuing to work with you to build a healthier future for all Americans.

PREPARED STATEMENT OF THE SUSTAINABLE AGRICULTURE COALITION

Thank you for the opportunity to present our funding requests for the fiscal year 2009 Agriculture, Rural Development, FDA and Related Agencies appropriations bill.

The Sustainable Agriculture Coalition is an alliance of national, regional, and local grassroots farm, rural, and conservation organizations that together advocate for public policies that support the long-term economic, social, and environmental sustainability of agriculture, natural resources, and rural communities.[1] Through

---

[1] Our member organizations include: the Agriculture and Land Based Training Association, American Natural Heritage Foundation, California FarmLink, C.A.S.A. del Llano (Communities Assuring a Sustainable Agriculture), Center for Rural Affairs, Community Alliance with Family Farmers, Dakota Rural Action, Delta Land and Community, Inc., Ecological Farming Association, Future Harvest/CASA (Chesapeake Alliance for Sustainable Agriculture), Illinois Stewardship Alliance, Institute for Agriculture and Trade Policy, Iowa Environmental Council, Iowa Natural Heritage Foundation, Izaak Walton League, Kansas Rural Center, Kerr Center for Sustainable Agriculture, Land Stewardship Project, Michael Fields Agricultural Institute, Michigan Integrated Food and Farming Systems, Michigan Land Use Institute, Midwest Organic and Sustainable Education Service (MOSES), The Minnesota Project, National Catholic Rural Life Conference, National Center for Appropriate Technology, Northern Plains Sustainable Agriculture

our member organizations, we work with and represent thousands of farmers and other rural citizens who are engaged in creating a more sustainable farm and food system.

As you begin work on the fiscal year 2009 appropriations bill, we want to applaud the subcommittee for reversing many of the damaging proposals made in the USDA budget request for fiscal year 2008 in conservation, research, marketing, and rural development. We also welcome the subcommittee's decision in the current fiscal year bill to keep cuts to a minimum for mandatory farm bill conservation, research, and rural development programs. We remain tremendously disheartened by the nearly $6 billion that has been gutted from mandatory conservation spending since passage of the 2002 Farm Bill, with the majority of cuts coming through regular and emergency supplemental appropriations bills and some by way of budget reconciliation. While the absolute amount is greatest for conservation, the limitations on mandatory spending in research and rural development have been even greater on a percentage basis. Over a third of total mandatory spending in conservation, rural development, and research has been cut and reallocated to other uses, despite the underlying programs being meritorious and greatly oversubscribed. We, therefore, encourage you to continue the practice started in the fiscal year 2008 bill of being modest and discriminating in limitations to mandatory spending.

CSREES PROGRAMS

Sustainable Agriculture Research and Education (SARE) Program.—We urge you to support an appropriation of $20 million in fiscal year 2009 for the SARE competitive grants program, divided between research and education grants ($15 million) and extension and professional development grants ($5 million). SARE is a regionally-delivered national competitive grants program that funds farmer-driven, outcome-oriented research, education, and outreach on agricultural production practices and market-based initiatives that are environmentally sound and profitable for farmers and ranchers and their communities. The program is responsible for many of the systems and practices being utilized by farmers today to farm in concert with the environment while increasing farm income and providing consumers with high quality nutritious foods. With continued and enhanced investment, the program will help create a more sustainable farm and food system for a new generation of farmers and consumers.

We applaud the subcommittee for increasing the SARE budget in fiscal year 2008. After 4 years of repeated small cuts, the increase could not have come at a more important moment, as the program is now in its 20th year of operation and demand for the program continues to grow. While we truly hoped the program would reach $20 million for the 20th year, we also truly appreciate the increase to $19 million in fiscal year 2008.

We urge you to reject the President's fiscal year 2009 proposal to severely cut program funding to 20 percent below the lowest level of funding the SARE program has received in the last 5 years and urge the subcommittee to provide an increase from $19 million to $20 million in fiscal year 2009. Over the next few years, we strongly urge an increased commitment to SARE in the context of a more balanced approach to overall competitive grants funding and consistent with sustainable agriculture's expanding role within our food and farming system and with the program's award-winning and cost-effective delivery of services.

Organic Research.—Although the organic share of the domestic food retail market is currently approaching 4 percent, USDA spent a little less than 1.5 percent of its total research budget on organic research in fiscal year 2007, representing just the first time USDA spending on organic research reached above 1 percent. Despite this discrepancy, the President's fiscal year 2009 budget proposes zero funding for the two main organic research programs—the Organic Agriculture Research and Extension Initiative (OREI) and the Organic Transitions Program (ORG).

At this writing, it appears likely that OREI will continue to receive mandatory funding in the 2008 Farm Bill, in which case we ask that the subcommittee protect that funding level and reject any limitation provisions. On the other hand, if the program does not continue to receive mandatory funding, we urge you to provide discretionary funding. The Organic Transitions Program is not dependent upon the outcome of the Farm Bill and relies on appropriations. We urge the committee to include $5 million in fiscal year 2009 for Organic Transitions Research. The com-

---

Society, Ohio Ecological Food and Farm Association, Organic Farming Research Foundation, Pennsylvania Association for Sustainable Agriculture, Practical Farmers of Iowa, Rural Advancement Foundation International-USA, Sierra Club Agriculture Committee, Washington Sustainable Food and Farming Network, and the Union of Concerned Scientists (Food and Environment Program).

bined funding would still be far short of a fair share for organic research, but would constitute a strong movement in the right direction.

Furthermore, we oppose the President's request to transfer most Section 406 integrated program activities, including Organic Transitions, into the National Research Initiative (NRI). While we support expanding resources for the NRI and increasing the NRI's attention to integrated programs, we do not believe ending important existing integrated programs in water quality, organic transition, pest management, and other topics and simply consolidating them at NRI without a clear plan for enhancing these program functions is good policy or good process.

National Research Initiative (NRI).—We strongly support the President's request to increase from 22 percent to 30 percent the set-aside within the NRI competitive grants program for integrated and applied research supporting the goals and priorities of the Initiative for Future Agriculture and Food Systems (IFAFS). We support a funding increase in the NRI provided that the percentage for integrated projects consistent with IFAFS is raised to at least 30 percent.

Beginning Farmer and Rancher Development Program (BFRDP).—The BFRDP was authorized in the 2002 Farm Bill but unfortunately, to date, has not received any appropriations. The House version of the 2008 Farm Bill would provide the program with $15 million in annual mandatory funding. If the House prevails in conference, we urge you to protect this vital new program and keep it clear of limitation provisions. If, however, mandatory funding is not provided in the Farm Bill, we urge you to provide the program with significant discretionary funding.

New farm entry rates have decreased dramatically and there are twice as many farmers over the age of 65 than under the age of 35. The BFRDP, a competitive grants program supporting education, extension, and technical assistance initiatives directed at new farming opportunities, can help address these challenges. The BFRDP supports collaborative local, State, and regionally-based networks and partnerships to supply financial and entrepreneurial training, mentoring and apprenticeship programs, "land link" programs, and education and outreach activities to assist beginning farmers and ranchers, including targeted funds for socially disadvantaged producers. The program would be the very first program for beginning farmers at USDA other than debt financing credit programs.

Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers (Section 2501).—For the past 16 years, the Section 2501 program has provided much-needed technical information and training to socially disadvantaged farmers and ranchers. Since its inception, the program has served more than 100,000 rural constituents in more than 400 counties and has effectively reduced the decline in the number of minority farmers. In spite of this success, and a 2002 Farm Bill authorization of $25 million per year, the program has never received more than $7 million in funding in any 1 year. As a result, many farmers who qualify for assistance under the program have been unable to receive it. For fiscal year 2009, we recommend $10 million in funding for Section 2501. The House version of the 2008 Farm Bill would provide the program with $15 million in annual mandatory funding. If the House prevails in conference, we urge you to protect that funding level.

Rural Entrepreneurship Education and Enterprise Facilitation Program.—The 2008 Farm Bill will likely include a new program subject to appropriations to provide educational resources and services to rural areas to foster entrepreneurial strategies to rural development, with the stated goal of creating jobs, spurring community innovation, and increasing the start-up rate and reducing the failure rate of small businesses. With a goal of creating entrepreneurial networks, providing technical training, and conducting applied research, the program will also provide a complement to the Rural Mircoenterprise Assistance Program, which seeks to target specific individuals who have already opened a small business, or are poised to do so. We urge the committee to fund this program at $4 million for fiscal year 2009.

AMS PROGRAMS

Farmers' Market Promotion Program (FMPP).—The FMPP provides grants on a competitive basis to agricultural cooperatives, local governments, non-profits, economic development corporations and other entities to establish, expand, and promote local farmers markets and other forms of direct farmer-to-consumer markets. Prior to fiscal year 2006, AMS resources for direct marketing were limited to technical assistance, with no financial assistance available to expand direct farmerto-consumer links that increase farm profitability, consumer health and well being, and community development. Bipartisan support for this program resulted in Congress providing $1 million in first-year funding for fiscal year 2006, and the same for both fiscal year 2007 and fiscal year 2008. In just its first year of funding, the

program received 367 applications for grants totaling $19.9 million. An allocation of $5 million in fiscal year 2009 will begin to fill a major gap in marketing assistance and help complete the AMS direct marketing toolbox. It is also quite possible that the 2008 Farm Bill will provide mandatory funding of an equivalent amount, in which case we urge you to protect that funding and to not limit it in any way.

FARM SERVICE AGENCY

Direct Farm Ownership and Direct Operating Loans.—Direct loans play a very significant role in helping beginning farmers and ranchers get established in agriculture and deserve continuing support. The pending 2008 Farm Bill will modernize and update the loan limitation level for both types of loans and also create a parallel increase in the authorization for appropriation in order to not have the per loan limit increase shrink the number of borrowers served. The new Farm Bill will also include expansion and improvement of the conservation loan program, a provision sponsored by the chair of this subcommittee. In light of those changes in the Farm Bill, we strongly urge you to adopt a program funding level of at least $300 million for ownership loans and $650 million for operating loans for fiscal year 2009.

NATURAL RESOURCES CONSERVATION SERVICE PROGRAMS

Conservation Stewardship Program (CSP).—In our view, the CSP is the most important and innovative of all agricultural conservation programs. The CSP is crucial to agriculture's world trade agreement objectives and to equalizing support across the whole range of U.S. agriculture and orienting that support to the public good. The CSP correctly focuses attention on working farm and ranch land conservation, and emphasizes conservation systems that also maximize off-farm environmental benefits.

The CSP has unfortunately been made subject to limitation provisions in previous appropriations bills as well as in supplementals and in budget reconciliation. We thank you for allowing the program to move forward in fiscal year 2008 without a limitation. We urge you to continue in that new pattern and to reject the President's fiscal year 2009 request to return to a limitation on mandatory spending which in this case would cut the program by $141 million. We strongly recommend that the CSP not suffer any limitations in fiscal year 2009 and be allowed to fulfill its promise without any further appropriation restrictions throughout the term of the new farm bill cycle.

Wetlands Reserve Program (WRP).—The 2008 Farm Bill will reauthorize the WRP and provide it with a new mandatory-funded acreage cap. We hope the Farm Bill will continue to provide sufficient resources to enroll 250,000 acres of restored wetlands each year. We also hope and urge the subcommittee to allow the program to move forward without limitations on the mandatory funding provided by the Farm Bill. The WRP is the frontline in the Nation's efforts to achieve no-net-loss or hopefully positive wetland and associated habitat and water quality and conservation gains.

RURAL BUSINESS COOPERATIVE SERVICE PROGRAMS

Appropriate Technology Transfer for Rural Areas (ATTRA) Program.—We recommend $3 million in fiscal year 2009, a slight increase over the $2.6 million the program received in fiscal year 2008. Originally authorized as part of the research title of the 1985 Farm Bill and about to be newly authorized in the 2008 Farm Bill, ATTRA provides readily accessible sustainable and organic farming information to farmers and ranchers nationwide. ATTRA' professional staff answers a wide variety of agronomic, livestock, marketing, and entrepreneurial questions from farmers and ranchers. ATTRA launched a National Farm Energy Initiative in 2006 to help farmers better understand how they use energy, and how to best manage energy use to reduce operating costs. Modestly increasing ATTRA's funding will ensure the Energy Initiative continues to provide efficient, accurate, and timely information to farmers seeking to increase agriculture-based energy sources, and create sustainable economic growth in their communities.

Value-Added Producer Grants Program (VAPG).—We urge you to support funding in fiscal year 2009 for the VAPG program at the $40 million level provided by the 2002 Farm Bill or whatever mandatory funding level is provided in the 2008 Farm Bill. If mandatory funding is not provided through the 2008 Farm Bill, we urge you to provide discretionary funding at no less than $30 million.

The VAPG is a competitive grants program administered by the Rural Business Cooperative Service. The program makes grants to producers and producer-owned entities to develop value-added businesses and thereby enhance farm income, rural self-employment opportunities, local economic development, better consumer food

choices, and natural resource protection. Value-added products include those converted from raw products through processing to increase market value through higher prices, expanded markets, or both. Products are also considered value-added if they possess incremental value resulting from inherent attributes such as geographical location of production, environmental stewardship, food quality or safety, or seek to communicate these attributes through labeling or certification activities.

Rural Microenterprise Assistance Program.—The Rural Microenterprise Program is very likely to be authorized in the 2008 Farm Bill, and may also receive mandatory funding. We urge the subcommittee to fund this program at $10 million in fiscal year 2009 should the Farm Bill fail to provide mandatory funding. The program would provide technical and financial assistance to rural "micro-enterprises"—especially economically disadvantaged entrepreneurs not otherwise able to access credit. The program would provide direct training and technical assistance as well as low interest loans and grants to individuals currently operating, or seeking to operate, small businesses. Commonly recognized as the single most effective method of promoting rural economic development, small business growth will be supported through targeting individuals who have already opened a small business or are poised to do so.

PREPARED STATEMENT OF THE HUMANE SOCIETY

As the largest animal protection organization in the country, we appreciate the opportunity to provide testimony to the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Subcommittee on fiscal year 2009 items of great importance to The Humane Society of the United States (HSUS) and its 10.5 million supporters nationwide.

ENFORCEMENT OF ANIMAL WELFARE LAWS

We thank you for your outstanding support during recent years for improved enforcement by the U.S. Department of Agriculture of key animal welfare laws and we urge you to sustain this effort in fiscal year 2009. Your leadership is making a great difference in helping to protect the welfare of millions of animals across the country. As you know, better enforcement will also benefit people by helping to prevent: (1) food safety risks to consumers from sick animals who can transmit illness, and injuries to slaughterhouse workers from suffering animals; (2) orchestrated dogfights and cockfights that often involve illegal gambling, drug trafficking, and human violence, and can contribute to the spread of costly illnesses such as bird flu; (3) the sale of unhealthy pets by commercial breeders, commonly referred to as "puppy mills"; (4) laboratory conditions that may impair the scientific integrity of animal based research; (5) risks of disease transmission from, and dangerous encounters with, wild animals in or during public exhibition; and (6) injuries and deaths of pets on commercial airline flights due to mishandling and exposure to adverse environmental conditions. In order to continue the important work made possible by the Committee's prior support, we request the following for fiscal year 2009:

FOOD SAFETY AND INSPECTION SERVICE/HUMANE METHODS OF SLAUGHTER ACT (HMSA) ENFORCEMENT

We Request Funding and Language to Ensure Strengthened HMSA Enforcement.—The Nation was shocked by the findings of our recent undercover investigation that revealed egregious abuse of "downer" cows too sick and injured to stand and walk on their own—by a company that was the #2 beef supplier to the National School Lunch Program and had been honored by USDA as "Supplier of the Year" for the 2004–2005 academic year. Unfortunately, the blatant and recurrent violations of food safety and humane rules documented in our 6-week hidden camera investigation were not reported by 5 USDA inspection personnel at the plant. This situation has focused national attention on the urgent need for more effective USDA oversight of humane handling and food safety rules. We urge the Committee to make this a high priority in order to better protect consumers and animals. In particular, we urge your consideration of the needed reforms outlined later in this testimony.

APHIS/ANIMAL WELFARE ACT (AWA) ENFORCEMENT

We Request That you Support the President's Request of $21,522,000 for AWA Enforcement Under the Animal and Plant Health Inspection Service (APHIS).—We commend the Committee for responding in recent years to the urgent need for increased funding for the Animal Care division to improve its inspections of more than 14,000 sites, including commercial breeding facilities, laboratories, zoos, circuses,

and airlines, to ensure compliance with AWA standards. Animal Care now has 105 inspectors (with 6 positions in the process of being filled), compared to 64 inspectors at the end of the 1990s. We are pleased that the President's fiscal year 2009 budget recommends an increase of $1,024,000 (counting allowance for pay costs) to cover hiring new inspectors to handle additional responsibilities as the number of licensed/registered facilities continues to grow.

APHIS/INVESTIGATIVE AND ENFORCEMENT SERVICES

We Request That you Support the President's Request of $13,694,000 for APHIS Investigative and Enforcement Services (IES).—We appreciate the Committee's consistent support for this division, which handles many important responsibilities, including the investigation of alleged violations of the AWA and the initiation of appropriate enforcement actions. The President's budget recommends an increase of $1,343,066 (counting allowance for pay costs) for IES in fiscal year 2009, of which $725,000 will be used to improve enforcement of Federal animal welfare laws. The volume of animal welfare cases is rising significantly as new facilities become licensed and registered.

OFFICE OF INSPECTOR GENERAL/ANIMAL FIGHTING ENFORCEMENT

We Request That You Support the President's Requested Increase of $6,274,852 for the Office of Inspector General (OIG) to Maintain Staff, Improve 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, and established felony penalties in 2007. We are pleased that USDA is taking seriously its responsibility to enforce this law, working with State and local agencies to complement their efforts. The Michael Vick case is the highest profile example of new Federal efforts that have helped shine a spotlight on the barbaric practices of dogfighting and cockfighting. Dogs bred and trained to fight endanger public safety, and some dogfighters steal pets to use as bait for training their dogs. Cockfighting was linked to an outbreak of Exotic Newcastle Disease in 2002–2003 that cost taxpayers more than $200 million to contain. It's also been linked to the death of at least 9 people in Asia reportedly exposed through cockfighting activity 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 humane slaughter law and downed animal rules.

COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE /VETERINARY STUDENT LOAN FORGIVENESS

We Request $1,000,000 to Begin to Fully Implement the National Veterinary Medical Service Act (Public Law 108–161), Specifically Authorized in 2003, That Received Initial Funding of $500,000 in Each of Fiscal Year 2006 and Fiscal Year 2007, and $869,000 in Fiscal Year 2008.—We appreciate that Congress has begun to address the critical shortage of veterinarians practicing in rural and inner-city areas, as well as in government positions at FSIS (Food Safety and Inspection Service) and APHIS. Having adequate veterinary care is a core animal welfare concern. A study released in June 2006 demonstrated the acute and worsening shortage of veterinarians working in rural farm animal practice, while domestic pets in both rural and urban areas are often left without necessary medical care. Veterinarians support our Nation's defense against bioterrorism (the Centers for Disease Control estimate that 80 percent of potential bioterrorism agents are zoonotic—transmitted from animals to human). They are also on the front lines addressing public health problems associated with pet overpopulation, parasites, rabies, chronic wasting disease, bovine spongiform encephalopathy ("mad cow" disease), and a host of other concerns. To ensure adequate oversight of humane handling and food safety rules, FSIS must be able to fill vacancies in inspector positions. Veterinary school graduates face a crushing debt burden of over $100,000 on average, and the lowest pay of any of the medical professions, with an average starting salary of $46,000. 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 forgive student debt. It also authorizes financial assistance for those who provide services during Federal emergency situations such as disease outbreaks. We hope you will build on the initial funding provided in order to expand

this needed program under CSREES or such other account as the Committee deems appropriate.

APHIS/EMERGENCY MANAGEMENT SYSTEMS/DISASTER PLANNING FOR ANIMALS

We Request That you Support the President's Request of $996,000 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 has been asked to develop infrastructure to help prepare for and respond to animal issues in a disaster and incorporate lessons learned from previous disasters. These funds will be used for staff time and resources to support State and local governments' and humane organizations' efforts to plan for protection of people with animals. The additional resources will enable the agency to participate, in partnership with FEMA, in the newly revised National Response Plan without jeopardizing other Animal Care programs.

APHIS/HORSE PROTECTION ACT ENFORCEMENT

We Hope you will Provide $750,000 (an add-on of $251,000 Above the Amount Requested by the President for Fiscal Year 2009) Plus A one-time Appropriation of $1 Million for Specialized Equipment, and we Urge the Committee to Oppose any Effort to Restrict USDA From Enforcing This law to the Maximum Extent Possible.—Congress enacted the Horse Protection Act in 1970 to end the obvious cruelty of physically soring the feet and legs of show horses. In an effort to exaggerate the high stepping gait of Tennessee Walking Horses and gain an unfair competitive advantage at industry horse shows, unscrupulous trainers use a variety of methods to inflict pain on sensitive areas of horses' feet and legs. This cruel practice continues unabated by the well-intentioned but seriously understaffed APHIS inspection program. The most effective way to meet the goal of the Horse Protection Act—to reduce the showing of sored horses—is to have Animal Care inspectors present at the shows. Owners who sore their horses go to great lengths to avoid detection, including leaving a show when USDA inspectors arrive. The greater the likelihood of a USDA inspection, the greater the deterrent effect on those who routinely sore their horses. Unfortunately, Animal Care is able to attend fewer than 10 percent of the 500-plus shows held annually. Funding of $750,000 is needed to maintain a modest level of compliance with the Horse Protection Act by trained Animal Care professionals. Moreover, a one-time infusion of $1 million is needed to enable Animal Care to buy specialized equipment, such as thermography machines, that would enhance the ability of USDA inspectors to detect evidence of soring.

DOWNED ANIMALS AND BSE—NEEDED REFORMS TO ADDRESS PROBLEMS REVEALED BY HSUS UNDERCOVER INVESTIGATION

Close Loophole.—An unequivocal, truly comprehensive ban on the slaughter of downed animals for human consumption is needed to protect food safety and animal welfare. The current protocol that allows inspection personnel to "determine on a case-by-case basis the disposition of cattle that become nonambulatory after they have passed antemortem inspection" is unrealistic, unworkable, and reckless. It places an impossible expectation on inspectors, who can't accurately determine the reason(s) an animal became non-ambulatory. Injury and illness are often interrelated—an animal may stumble and break a leg because of a disease that causes weakness and disorientation. Of the BSE cases identified in Canada and the United States to date, 13 out of 16 have involved downers, and at least 3 of these were identified as downed due to injuries, including the 2003 U.S. case ("calving injuries") and a 2005 case in Canada ("slipped on ice/broken leg"). Major consumer groups including Consumers Union and Consumer Federation of America, support groups for victims of food-borne illness such as Safe Tables Our Priority (S.T.O.P.), Creutzfeldt-Jakob Disease Foundation, and CJD Voice, food safety organizations, companies such as McDonald's and Wendy's, and many others have all pointed out how reckless it is to rely on inspectors trying to sort out which downers are "safe." Besides the heightened incidence of BSE, downers may also be at higher risk for other foodborne transmissible pathogens, including E. coli and Salmonella, which kill hundreds of Americans every year, as these animals often lie in bacteria-laden waste and may have higher levels of intestinal pathogens due to stress.

From an animal welfare perspective, a comprehensive ban is needed because a downed animal with a broken leg suffers just as much as a sick one if he or she is dragged through a slaughterplant—maybe even more, when one considers how painful fractures are. A ban on use of all downers for human food would also provide an incentive for producers to treat animals humanely and prevent farm animals from going down. Even before the 2004 administrative ban, USDA estimated that

only 0.4 percent to 0.8 percent of all cows processed annually were non-ambulatory. A clear downer ban would encourage producers and transporters to engage in responsible husbandry and handling practices, so that this percentage could be reduced to levels approaching zero. Temple Grandin—advisor to the American Meat Institute and others in the meat industry—has noted that as many as 90 percent of all downers are preventable. Cases that involve broken bones and other injuries are perhaps the most preventable with improved husbandry.

Most Americans had no idea that animals too sick or injured to walk were being dragged with chains or pushed by forklifts en route to the food supply. When that fact came to light in December 2003, USDA's prompt announcement to ban all downer cattle from human food calmed consumers. More than 99 percent of the more than 22,000 public comments USDA received on its downer ban called on the agency to maintain and strengthen its downer ban, with most asking that other species be included. For a report on the comments received by the agency, please go to: http://files.hsus.org/web-files/PDF/2004__06__16__rept__USDA__comments.pdf.

USDA testimony before various congressional committees has made clear that the agency need not rely on slaughterplant testing of downers for BSE surveillance purposes. Surveillance of downers can and should be conducted at rendering plants and on farms.

Unfortunately, as we have learned from a January 2006 audit by the USDA Office of Inspector General and further from our late 2007 investigation, the loophole in administrative policy has substantially undercut the agency's so-called "ban." It has created financial incentives for precisely the abuses that were documented in our undercover footage. A highly visible and vigorously enforced total no-downer rule is the right policy. For the animals, removing current incentives that encourage workers to try every cruel tactic imaginable to move downers to the kill box will alleviate suffering. If crippled animals cannot be sold for food, slaughterplants have no reason to prolong their misery to try to get them through the slaughter process. Closing the loophole will also establish incentives for all involved in the production chain to minimize hazards that can cause animals to become downed in the first place, and make clear that there is no value to sending an already downed animal to a slaughterplant.

USDA can revise its rule immediately, restoring the language it promulgated in January 2004. And the Congress can pass legislation to codify a clear no-downer policy.

Strengthen Enforcement.—The USDA must rework its inspection program to ensure meaningful compliance. We recommend a combination of measures. More inspectors observing live animals are needed, and all inspectors should be trained and directed to monitor the treatment of live animals to ensure that they are handled humanely. Inspectors must understand that their oversight responsibilities begin at the moment animals arrive at slaughter premises, including when the animals are on trucks at slaughter facilities. An inspector should meet each truck when it arrives on the premises and should order the immediate humane euthanasia and condemnation of any cattle who are non-ambulatory. Egregious conduct such as forcefully striking an animal with an object, dragging an animal, ramming or otherwise attempting to move an animal with heavy machinery, or using electric shock, water pressure, or other extreme methods should be explicitly prohibited and those policies established in a formal rule to take effect immediately. Inspections should be unannounced and not on a predictable schedule. They should include undetectable inspections through video surveillance accessible for viewing by independent third parties. Slaughterplants should be required to install video cameras that would allow for viewing of all of the animal handling prior to slaughter. Finally, it would be helpful to rotate inspectors to ensure that they do not become too close with plant personnel.

Establish Criminal Penalties.—Current Federal law does not provide for criminal penalties, even in cases of repeat or egregious offenses, for violations of humane handling standards.

Ensure Humane Federal Procurement.—H.R. 1726, the Farm Animal Stewardship Purchasing Act, would set basic animal welfare standards for producers who sell food to the National School Lunch Program and other Federal programs, including requiring veterinary treatment or humane euthanasia for downed animals.

In addition to the downer and humane slaughter issues, we hope the Committee will provide adequate funding to ensure meaningful enforcement by the Food and Drug Administration of its "feed ban," designed to prevent BSE-contaminated animal products from being fed to other animals. We are concerned that inspectors visit facilities infrequently and rely on self-reporting by those facilities and paperwork checking rather than first-hand evaluation of feed content and dedicated production lines. We are also concerned that FDA relies a great deal on State agencies to con-

duct this oversight, when most States face severe budget constraints that may compromise their ability to handle this job. Preventing the spread of BSE is vital to the Nation as a whole, for public health, the agricultural industry, and animal welfare. Vigorous enforcement of the feed ban is an essential component of this effort. We hope adequate Federal funds will be provided in fiscal year 2009 to meet this challenge.

ANIMAL WELFARE INFORMATION CENTER (AWIC)

AWIC was established by the 1985 amendment to the Animal Welfare Act (the Improved Standards for Laboratory Animals Act) to serve as a clearinghouse, training center, and educational resource for institutions using animals in research, testing and teaching. This Center is the single most important resource for helping personnel at more than 1,200 U.S. research facilities meet their responsibilities under the AWA. Supported by a modest funding level, its services are available to all individuals at these institutions, from cage washers to Institutional Animal Care and Use Committee (IACUC) representatives and the Institutional Official. Given its indispensability not only in assisting with compliance with the AWA but also in providing up-to-date information on issues ranging from BSE to primate enrichment that are critical to the scientific and agricultural communities, we recommend that AWIC be listed as a separate line item. We respectfully urge Congress to reject the ARS plan to eliminate AWIC; rather, it is essential to provide an appropriation of $1.8 million in fiscal year 2009 to support ongoing services as well as critically needed expansion and other improvements to meet the growing demand for AWIC's expertise.

Again, we appreciate the opportunity to share our views and priorities for the Agriculture, Rural Development, FDA, and Related Agencies Appropriation Act of fiscal year 2009. We appreciate 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.

PREPARED STATEMENT OF THE WILDLIFE SOCIETY

The Wildlife Society appreciates the opportunity to submit testimony concerning the fiscal year 2009 budgets for the Animal Plant Health Inspection Service (APHIS), Cooperative State Research, Education and Extension Services (CSREES), and Natural Resources Conservation Service (NRCS). The Wildlife Society represents over 8,000 professional wildlife biologists and managers dedicated to sound wildlife stewardship through science and education. 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

The Wildlife Society is concerned that the fiscal year 2009 budget request would decrease the operations subactivity of Wildlife Services by $1.66 million and redirect $5.34 million. This would effectively reduce by $7 million Wildlife Services' ability to control wildlife damage to agriculture, aquaculture, forest, range, and other natural resources; control wildlife-borne diseases; and control wildlife at airports. The Wildlife Society strongly recommends that Congress increase the appropriation for this subactivity by $7.0 million to account for these reductions and redirections. We also recommend that Congress provide an additional $300,000 to fully fund uncontrollables.

We appreciate the recognition of the need to safeguard our Nation against highly pathogenic avian influenza and applaud the added fiscal resources to address this critical issue. The potential for this disease to spread to the North American continent and severely impact wildlife, domestic poultry, and humans highlights the importance of continued surveillance and monitoring during the coming years. The fiscal year 2006 supplemental and subsequent appropriations have allowed State fish and wildlife agencies to provide much-needed resources to ensure a coordinated, continent-wide effort. This effort must continue to ensure that America's citizens and resources are protected. The Wildlife Society strongly recommends an increase to $10 million for surveillance and monitoring of avian influenza.

The Wildlife Society is concerned about the proposed reduction in the Brucellosis Program budget. Because of its presence in wild elk and bison, brucellosis in the Greater Yellowstone Area will be especially difficult to control or eliminate and will require more, not less, fiscal resources to accomplish. We recommend Congress restore brucellosis funding to $11 million in fiscal year 2009 and that USDA–APHIS-Veterinary Services continue to utilize the authorities and expertise of the Greater

Yellowstone Interagency Brucellosis Committee to address domestic livestock interactions with wild elk and bison in the region.

The Wildlife Society commends APHIS-Veterinary Services for providing funding to State wildlife management agencies for Chronic Wasting Disease (CWD) surveillance and management in free-ranging deer and elk. Additionally, The Wildlife Society strongly supports APHIS' efforts to eliminate CWD from captive cervids in order to eliminate the risk of spread of the disease from these animals to free-ranging deer and elk. The surveillance and monitoring efforts conducted by all 50 States between 2004 and 2006 would not have been possible without this cooperative funding. Additionally, knowledge of the presence and prevalence of CWD has been enhanced by this program. Without continued funding, States will be unable to maintain the level of CWD surveillance necessary to track incidence of the disease. The Wildlife Society is very concerned by the proposal to cut this budget by $7.3 million, and by the proposed State match requirement. Such a requirement could result in many States no longer being able to perform CWD surveillance of wild cervids, reducing our capacity to prevent the spread of the disease. The Wildlife Society recommends increasing Chronic Wasting Disease funding to $20 million in fiscal year 2009.

Cooperative State Research, Education, and Extension Service

The Renewable Resources Extension Act (RREA) provides an expanded, comprehensive extension program for forest and rangeland renewable resources. The 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 today than ever because of continuing fragmentation of ownership, urbanization, the diversity of landowners needing assistance and increasing societal concerns about land use and the impact on natural resources including soil, water, air, wildlife and other environmental factors. The Wildlife Society recommends that the Renewable Resources Extension Act be funded at $30 million, as authorized in the 2002 Farm Bill.

The proposed budget for fiscal year 2009 reflects a decrease for the McIntire-Stennis Cooperative Forestry program. The proposal would also direct 67 percent of program funding to a multi-State research program. These funds are essential to the future of resource management on non-industrial private forestlands, as forest products are produced while conserving natural resources, including fish and wildlife. As demand for forest products grow, private-land forests will increasingly be needed to supplement supplies, but trees suitable for harvest take decades to produce (versus the single year in which crops such as corn and soybeans can be harvested). In the absence of long-term and on-going research, such as provided through McIntire-Stennis, the Nation could be unable to meet future forest-product needs. Replacement of McIntire-Stennis funding with competitive grants will leave long-term, stable forest research to chance. The Wildlife Society strongly believes that the reasons for continuing the McIntire-Stennis Cooperative Forestry program into the future are compelling and urges Congress to increase the fiscal year 2009 budget to $25 million, an amount more consistent with historic levels.

The Wildlife Society supports the administration's request of $257 million for National Research Initiative Competitive Grants. However, this includes an increase of $19 million for bioenergy and biofuels research and a redirection of $42 million for water quality, food safety, organic transitions, and pest management. While The Wildlife Society does not oppose this consolidation, Congress should ensure that sufficient funding is available to support all of these efforts at no less than their fiscal year 2008 levels. The Society also notes, that if not done properly, biofuels production could have a negative effect on wildlife resources.

Natural Resources Conservation Service

Reauthorization of the Farm Bill is expected to be completed in the first half of 2008. Until such a reauthorization is passed, we are operating under the program and funding levels created or reauthorized in the 2002 Farm Bill. The Farm Bill conservation programs are now more important than ever given huge backlogs of qualified applicants for these programs, increased pressure on farmland from the biofuels boom, sprawling development, and the ongoing declines in wildlife habitat and water quality. The Wildlife Society recommends that the Farm Bill conservation programs be funded at the levels mandated in the 2002 Farm Bill until the current Farm Bill reauthorization is completed.

The fiscal year 2009 budget should anticipate the authorization of new enrollments in the Grasslands Reserve Program, a strong Conservation Security Program, and should fully fund the remaining programs at their mandatory spending levels:

—Conservation Reserve Program—39.2 million acres

—Grasslands Reserve Program—$50 million

—Wetlands Reserve Program—250,000 acres
—Wildlife Habitat Incentive Program—$85 million

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 UNIVERSITY OF SOUTHERN MISSISSIPPI AND THE MISSISSIPPI POLYMER INSTITUTE

Mr. Chairman, distinguished Members of the Subcommittee, thank you for this opportunity to provide testimony describing ongoing research and commercializing efforts of The University of Southern Mississippi (USM) and the Mississippi Polymer Institute. I am very grateful to the subcommittee for its leadership and continued support of the Institute and its work. This testimony includes an update of the Institute's achievements since my testimony of approximately 1 year ago. Our efforts focused principally on two areas for commercialization. One involves our novel, agricultural-based inventions in emulsion polymerizations, and the second was to produce a commercial quality, formaldehyde-free, soybean based adhesive for composite board materials, specifically, particleboard. During the past year, we made significant advances in emulsion polymerization technology, and in the refinement of soy adhesive utility. Particleboards made in our laboratory with the soy adhesive (formaldehyde free) exceed all required specifications for particleboard manufacture. Both technologies described above are ready for commercialization and future efforts will focus on movement of each technology into the market place. We therefore respectfully request $2.0 million in Federal funding to more fully exploit the potential of commercializing the technologies described herein. I will discuss the progress for each thrust to provide maximum clarity to our past efforts.

Three patent applications were generated in 2007. Additionally in 2007, four manuscripts were published, thirteen presentations were given, and one student won a research award. We remain energized, active, and successful at utilizing funding to increase the value of agricultural products and co-products, as they are valuable alternatives or supplements to petroleum-derived materials. Both technologies noted above depends on use of agricultural materials as primary building blocks, and clearly offers opportunities for ag-derived materials as a basic feedstock in the polymer industry. Both are groundbreaking technologies and one only has to consider the use of formaldehyde-free adhesives as the ultimate example. It is well known that formaldehyde is a carcinogen and we have developed an alternative to formaldehyde in the form of soybeans. The recent focus on FEMA trailer contamination simply amplifies what the scientific community has known for years; formaldehyde is a carcinogen and should not be used in composite board manufacture. Our patented technology remains the only performance proven alternative 100 percent formaldehyde free based on an agricultural product, i.e. soybeans.

Our 2007–08 work also included several pilot plant trials and statistical validation for commercial scale production of vegetable oil-based monomers and polymers. Vegetable oil macromonomers (VOMMs) have proven value for the manufacture of zero volatile organic content (VOC) paints and coatings. Navy Haze Gray paints, manufactured via our novel technology, free of VOC content, and matching and/or exceeding all performance requirements will be applied shipboard within weeks of this testimonies writing.

This past year's work has resulted in the discovery of methods to tailor polymers with desired use properties, a key to widespread utilization in other areas of need.

Vegetable Oil Macromonomers (VOMM) Research and Development

In the past year, vegetable oil macromonomer synthesis was moved from the traditional laboratory research category to pilot plant trials. Specifically, VOMMs of soybean oil, high oleic safflower oil, safflower oil, sunflower oil, and coconut oil were scaled, synthesized, and evaluated for utility. This work validates the commercial viability and amplifies the value of this technology for many vegetable oil types. Specifically, our work has shown that it is possible to manufacture polymers that flow and level easily at room temperature, yet will harden upon ambient conditions and achieve high performance characteristics. This is clearly a step change in tailoring polymer performance. This technology is now mature enough to take its rightful place in commercial markets.

The example below was provided in past testimonies yet remains valid today. It summarizes opportunities and impact potential for biobased VOMM polymers. In 2004, sales of low gloss water thinned paints (including tinting bases) were 181 million gallons, with a value of $1,551 million (www.census.gov.mcd). Only a 1 percent

share of this market would require manufacture of 1.81 million gallons of low gloss paint. A typical flat latex paint contains 1,200 g of latex per gallon. With latexes containing 20 percent soybean oil derivatives, this market share would consume 950,000 lbs of soybean oil or 89,540 bushels of soybeans. It would not be unrealistic to expect that in five years, a market share of 5 percent could be achieved and thus require consumption of 447,700 bushels of soybeans for high performance, value-added decorative and protective coatings. The environmental impact potential to reduce volatile organic emissions by 3.6 million lbs per year at only a 1 percent market share (data 250 g/L VOC 3.78L/gal, 1.81 million gallons and 1 percent market share) is magnanimous.

Formaldehyde-Free Soy Based Adhesives

During the last year, our efforts increased the amount of soy protein in the adhesive formulation from 28 percent to 55 percent. In 2006–2007, the main barrier to commercialization and processing was the soy protein adhesives solids content at less than 28 percent, making it difficult to transport, handle, and utilize efficiently, and that barrier to commercialization was overcome. As the utility of the experimental adhesive increases it is important to keep in mind that our platform is the only patented technology to our knowledge that is solely based upon soybean protein and is 100 percent formaldehyde free. An estimated 150,000 FEMA trailers were distributed in Mississippi, Louisiana, Florida, Alabama, and Texas following hurricanes in 2005. In May 2006, the Sierra Club, a public interest group conducting indoor air testing in Federal Emergency Management Agency (FEMA)-issued trailers in Louisiana and Mississippi reported that in Mississippi, 29 of the 31 trailers (94 percent) tested had indoor levels of formaldehyde in excess of that identified by the Environmental Protection Agency (EPA) and Consumer Products Safety Commission (CPSC) as triggering adverse health effects in humans. In Alabama and Louisiana, 83 percent of the 52 trailers were above the OSHA specified limit of 0.10 parts per million, 4 were at the limit, while 13 percent were below the limit. Formaldehyde concentration as high as 0.34 parts per million was found in one trailer—a level nearly equal to what a professional embalmer using industry-proscribed safety equipment would be exposed to on the job.

Our efforts remain focused on creation of technology platforms facilitating commercialization of alternative agricultural crops for use in the polymer industry. The reasons for these efforts are made clear when it is realized that the polymer industry maintains its position as the single largest consumer of petroleum chemical intermediates in the world. The finite supply, and increasingly higher costs of petroleum resources, demands alternatives be developed. Thus, the theme of our work is to develop high performance and environmentally responsible technologies from agricultural intermediates. In this way, we as a Nation will improve our environment, reduce our dependence on imported petroleum, and keep America's farmlands in production. As farm products meet the industrial needs of the American society, rural America is the benefactor. Heretofore, these successful efforts to utilize alternative agricultural products as an industrial feedstock continue to receive more and more attention but drastically less than these high tech innovations and opportunities warrant. Your decisions are crucial to the accomplishment of these goals as funding from this subcommittee has enabled us to implement and maintain an active group of university-based polymer scientists whose energies are devoted to commercializing alternative crops. We are most grateful to you for this support, and ask for your continued commitment.

Polymers, which include fibers, plastics, composites, coatings, adhesives, inks, and elastomers, play a key role in the materials industry. They are used in a wide range of industries including textiles, aerospace, automotive, packaging, construction, medical prosthesis, and health care. In the aerospace and automotive applications, reduced weight and high strength make them increasingly important as fuel savers. Their non-metallic character and almost unlimited design potential support their use for many national defense purposes. Moreover, select polymers are possible substitutes for so-called strategic materials, some of which come from potentially unreliable sources.

As a polymer scientist, I am intrigued by the vast opportunities offered by American agriculture. As a professor, however, I continue to be disappointed that few of our science and business students receive training in the polymer-agricultural discipline despite its enormous potential. At The University of Southern Mississippi, we are making a difference by showing others what can be accomplished if appropriate time, energy, and resources are devoted to understanding the immense value of ag-based products. For more than 40 years, I have watched the evolution of polymers where almost each new product introduced into the market place offered the opportunity for many more. Although polymer science as a discipline has experi-

enced expansion and a degree of public acceptance, alternative agricultural materials in the polymer industry continue to be an underutilized national treasure. Now is the time for agricultural materials to make significant inroads as environmentally-responsible, biodegradable, and renewable raw materials. Our national needs and economy cannot wait; we must act now.

U.S. agriculture has made the transition from the farm fields to the kitchen tables, but America's industrial community continues to be frightfully slow in adopting the use of ag-based industrial materials. The prior sentence was included in my last five testimonies but continues to ring true, even as I write this report. We are making progress and we must persist. We must aggressively pursue this opportunity and in doing so:

—Intensify U.S. efforts to commercialize alternative crops and dramatically reduce atmospheric VOC emissions and odor for a much cleaner and less noxious air for all Americans.
—Reduce U.S. reliance on imported petroleum.
—Maintain a healthy and prosperous farm economy.
—Foster new cooperative opportunities between American farmers and American industry.
—Create advanced polymer technology-based jobs that are not easily exported to foreign lands
—Maintain our innovative and developmental competitive edge over other less environmentally-responsible countries and less competitive economies.

Mr. Chairman, your leadership and support are deeply appreciated by The University of Southern Mississippi community. While I can greatly appreciate the financial restraints facing your Subcommittee, I feel confident that further support of the Mississippi Polymer Institute will continue to pay dividends by way of increasing commercialization opportunities for agricultural materials in the American industry. Advances in polymer research are crucial to food, transportation, housing, and defense industries. Our work has clearly established the value of ag products as industrial raw materials, and we must move it from the laboratories to the industrial manufacturing sector. Only then can the United States enjoy the cleaner and safer environment that these technologies offer, as well as new jobs, and expanded opportunities for the U.S. farmer. We are most grateful for the support provided by you in the past. The funding you provided has facilitated laboratory work to be conducted, manufacturing scale-up to be accomplished, and ensured sales (although limited) of products based on this technology. However, additional funds are needed to commercialize technologies. For instance, pilot scale processes are necessary to move this technology into the market place, and will be the principal focus of our upcoming work. Of course, while working to achieve commercialization, we are committed to continue technology advancement.

Since our testimony last year, our commercializing efforts have shown that sustained work will expand the viability of agricultural crops as industrial intermediates. Indeed, the technology is maturing, which must be followed by marketing and sales to realize full potential. Thus, we are asking for your support to advance these technologies to the market place, and to continue our development of other useful ag-derived technologies. We therefore respectfully request $2.0 million in Federal funding to more fully exploit the potential of commercializing the technologies described herein. We have shown that we can be successful, yet we need additional resources to optimize the potential of the knowledge creation. Our efforts will be recognized as instrumental in developing a "process" for the commercialization of new ag-based products. We have proven that we are successful in developing technologies from the "idea" stage to scale-up for commercialization in several market areas. Thank you, Mr. Chairman and Members of the Subcommittee, for your support and consideration.

PREPARED STATEMENT OF THE USA RICE FEDERATION

This is to convey the rice industry's request for fiscal year 2009 funding for selected programs under the jurisdiction of your respective subcommittees. The USA Rice Federation appreciates your assistance in making this letter 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 major rice-producing states: Arkansas, California, Florida, Louisiana, Mississippi, Missouri, 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.

USA Rice understands the budget constraints the subcommittees face when developing the fiscal year 2009 appropriations bill. We appreciate your 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 support levels provided by this vital legislation through more restrictive payment limitations or other means and encourage the subcommittees and committees to resist such efforts during the appropriations process, in particular with the Farm Bill reauthorization currently underway.

A list of the programs the USA Rice Federation supports for appropriations in fiscal year 2009 are as follows:

FUNDING PRIORITIES

Research and APHIS

The Dale Bumpers National Rice Research Center should receive continued funding at the fiscal year 2008 approved level, which was $7.775 million, and appropriate additional funding to reflect any increased administrative and operations costs. This center conducts research to help keep the U.S. rice industry competitive in the global marketplace by assuring high yields, superior grain quality, pest resistance, and stress tolerance. We urge you to provide full funding to the Dale Bumpers National Rice Research Center.

For the Western Regional Research Center, in Albany, California, we support the administration's budget proposal for the Renewable Energy Resources project within the Agricultural Research Service (ARS) account. We understand a portion of the funding is to be directed to the Albany, CA facility for research on modification of plant cell walls in energy crops and crop residues for efficient conversion to biofuels.

This research will play a key role in the ability to utilize rice straw and other rice crop residues for the production of biofuels. Rice straw represents a current and ready-made feedstock that could meet a substantial portion of the demand for biofuels production in the regions of the country where rice is produced, including the Sacramento Valley of California. We urge you to fully fund this request as our researchers work to develop the technologies necessary to meet the ambitious goals for biofuels production set before us.

For APHIS-Wildlife Services, we encourage the subcommittees to fund the Louisiana blackbird control project at $150,000. This program annually saves rice farmers in Southwest Louisiana over $4,000 per farm, or $2.9 million total.

Market Access

Exports are critical to the U.S. rice industry. Historically, 40–50 percent of annual U.S. rice production has been shipped overseas. Thus, building healthy export demand for U.S. rice is a high priority.

The Foreign Market Development Program (FMD) allows USA Rice to focus on importer, foodservice, and other non-retail promotion activities around the world. We support increased funding for FMD as being considered in the pending farm bill, but for fiscal year 2009, FMD should be fully funded at no less than $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. Again, we support increased funding for MAP as being considered in the pending farm bill, but for fiscal year 2009, MAP should be funded at no less than $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 Safety

Food safety, including the safety of imported food, is one of the national issues that deserves significantly more funding. The USA Rice Federation appreciates greatly the increased funding that Congress appropriated for Food and Drug Administration (FDA) fiscal year 2008 food safety purposes and accompanying report language directing the use of some of the funds to hire more domestic and imported food inspectors. We urge Congress to continue this funding direction by appropriating significant increases for the agency's fiscal year 2009 food safety personnel, programs, and related technology, including continuing to ensure the safety of imported food.

Significant funding increases would allow the FDA to help reassure consumers and speed innovation in food safety and technology. A significant increase would permit FDA to administer its food safety inspections and other related activities more fully and effectively, speed approvals for safe, new food technologies and products, and provide leadership in protecting the food supply from intentional threats.

Food Aid

We urge the subcommittees to fund Public Law 480 Title I. No Title I funding was provided in fiscal year 2008. At a minimum, fiscal year 2009 funding should be the same as 2006, the last year in which the program was funded. Public Law 480 Title 1 is our top food-aid priority and we support continued funding in order to meet international demand. Food-aid sales historically account for an important portion of U.S. rice exports.

For Public Law 480 Title II, we support funding for fiscal year 2009 at the increased level of $1.8 billion in order to satisfy the 2.5 million MT required by statute. We encourage the subcommittees to fund Title II at this level to ensure consistent tonnage amounts for the rice industry. We oppose any shifting of funds, as all Title II funds have traditionally been contained within USDA's budget. We believe all food-aid funds should continue to be used for food-aid purchases of rice and other commodities from only U.S. origin.

USA Rice supports continued funding at fiscal year 2006 levels, at a minimum, for the Food for Progress Program's Public Law 480 Title I-sourced funding and at fiscal year 2008 levels, at a minimum, for the program's Commodity Credit Corporation funding component. Funding for this program is important to improve food security for food-deficit nations.

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 multi-year programming. USA Rice supports funding at the $300 million level 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.

Other

Farm Service Agency.—We encourage the subcommittees to provide adequate funding so the agency can deliver essential programs and services. The Agency has been hard hit by staff reductions and our members fear a reduction in service if sufficient funds are not allocated.

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 subcommittees receive and have restricted our comments accordingly.

Thank you for your consideration of our recommendations.

PREPARED STATEMENT OF THE UNITED STATES TELECOM ASSOCIATION

SUMMARY OF REQUEST

Project Involved

Telecommunications Loan and Grant Programs Administered by the Rural Utilities Service of the U.S. Department of Agriculture.

Actions Proposed

Supporting RUS loan levels and the associated funding subsidy, as required, for the 5 percent direct loan program ($145 million) and cost of money program ($250 million) in fiscal year 2009 in the amounts requested in the President's budget.

Supporting Section 306 guaranteed loans in the amount ($295 million) requested in the President's budget.

Supporting the President's budget request of $297,923,000 and the associated funding subsidy, as required, for broadband telecommunications loans.

Continuation of the general provision contained in previous appropriations acts that would prohibit RUS from drafting or implementing any regulation or rule requiring recertification of rural status for telephone borrowers.

Supporting the continued elimination of the 7 percent cap on cost of money loans.

Supporting continued funding, as requested in the President's budget, in the amount of $20 million for telemedicine and distance learning grants in rural areas.

Seeking language strengthening and improving the operation of the broadband loan program in the Committee Report accompanying the bill.

Supporting provision of sufficient funds for staff, including legal staff, to properly administer the telecommunications and broadband programs.

I am Walter B. McCormick, Jr., President and CEO of the United States Telecom Association (USTelecom). I submit this testimony in the interests of the members of USTelecom and the customers they serve. USTelecom represents innovative companies ranging from the smallest rural telecoms in the Nation to some of the largest corporations in the U.S. economy. Our member companies offer a wide range of services across the communications landscape, including voice, video and data over local exchange, long distance, Internet and cable networks.

USTelecom members firmly believe that the targeted assistance offered by a strong RUS telecommunications loan and grant program remains essential to a healthy and growing rural telecommunications industry that contributes to the provision of universal telecom service. We appreciate the strong support this Committee has provided for the RUS telecom program since its inception in 1949 and look forward to a vigorous program for the future.

RURAL AREAS NEED ACCESS TO BROADBAND SERVICE

Access to a reliable source of capital such as the RUS loan programs is key to the system upgrades which will enable rural areas to experience the economic growth and job creation that a freely competitive market with ready access to fairly priced capital can provide.

It is critically important that rural areas be included in the nationwide drive for greater bandwidth capacity. In order to provide higher speed services, outside plant must be modernized to accommodate technologies such as Digital Subscriber Line (DSL) or even fiber optic connections to the Internet, and switching must be migrated to new platforms. These investments may not be justified by market conditions in low density high cost rural areas, so the RUS program provides important financial incentives for additional investment which encourages rural telecommunications companies to build facilities which allow advanced services, including distance learning and telemedicine, to be provided. The externalities measured in terms of economic development and human development more than justify this investment in the future by the Federal Government.

Greater bandwidth and packet switching capabilities are crucial infrastructure elements which will allow rural businesses, schools and health care facilities to take advantage of the other programs available to them as end users. The money spent on having the most modern and sophisticated equipment available at the premises of businesses, schools or clinics is wasted if the local telecommunications company cannot afford to build facilities that quickly transport and switch the large amounts of voice, video and data that these entities generate. RUS funding enhances the synergies among the FCC and RUS programs targeted at improving rural education and health care through telecommunications.

RUS endures because it is a brilliantly conceived public-private partnership in which the borrowers are the conduits for the Federal Government benefits that flow to rural telecom customers, the true beneficiaries of the RUS program. The government's contribution is leveraged by the equity, technical expertise and dedication of local telecom companies. The small amount of government capital involved is more than paid back through a historically perfect repayment record by telecom borrowers, as well as the additional tax revenues generated by the jobs and economic development resulting from the provision and upgrading of telecommunications infrastructure. RUS is the ideal government program—it provides incentives where the market does not for private companies to invest in infrastructure promoting needed rural economic development, it allows citizens to have access to services which can mean the difference between life and death, and it has never lost a nickel of taxpayer money because of a telecom carrier default.

RECOMMENDATIONS

For fiscal year 2009, this Committee should set the loan levels and necessary associated subsidy amounts for the 5 percent direct loan program and cost of money loan programs consistent with the levels recommended in the President's budget. The guaranteed telecommunications loan program should also be funded at the level requested in the budget.

Congress and the President have recognized the tremendous potential of broadband technology to enhance human and economic development in rural areas by establishing as a priority loans for the deployment of such technology in rural areas. USTelecom urges the provision of funding for these loans sufficient to support $297,923,000, the amount recommended in the President's budget. The capital intensive nature of the telecommunications industry, particularly with respect to im-

plementation of broadband, requires a stable and predictable source of funds. Congress should be lauded for its recognition of the importance of broadband deployment to our Nation's economy and particularly for the recognition, through support of the RUS program, of the tremendous impact broadband telecommunications can have on economic growth and development in rural America.

Congress Should Adopt the Farm Bill, H.R. 2419, to Improve the Efficiency and Effectiveness of the Broadband Program.—Both the House and Senate versions of the Farm Bill better target the scarce resources dedicated to extending broadband deployment to high cost rural areas. They accomplish this by prioritizing lending to areas with no broadband service and by tightening up the definition of rural area for purposes of the lending program. Furthermore, both bills increase the availability and feasibility of RUS broadband loans, thereby better directing loan funds to areas that are more challenging to serve and are therefore most in need of government assistance. Both bills modify or eliminate the statutory exclusion of companies with more than 2 percent of that Nation's access lines from the broadband program. The language in the current statute is an unfortunate policy decision that limits the effectiveness of RUS in targeting funds to unserved areas. The RUS telephone program contains no such exclusion. Rural customers, the true beneficiaries of the RUS program, should not be denied its benefits because of the identity of the carrier from which they receive service. Similarly, both bills modify the statutory requirement that the term of broadband loans cannot exceed the expected useful life of the facilities being financed—a policy change which will decrease the size of periodic loan repayments and enhance loan feasibility without harming the government's loan security. Since RUS has a lien on all the property of the borrower, not just the new facilities, in most instances there is more than sufficient security for the loan for the broadband equipment. As long as the security of the government's loan is sufficient, the term of the loan in relation to the life of the facilities financed is irrelevant.

Improving the Effectiveness of the RUS Broadband Program

Redirecting Broadband Program Funding to Unserved Areas.—Absent adoption of a new Farm Bill this year with reforms to the RUS broadband program, RUS could still make substantial improvements to the operation of the broadband loan program through adoption of new rules. Since the inception of the broadband program, RUS has used a substantial portion of the available funds to make loans to areas that already have broadband service. RUS justifies these loans for duplicative facilities with the contention that service in these areas is inadequate and so the areas are "underserved", thereby permitting such duplication. For purposes of making broadband loans, RUS defines broadband service as 200 kbps. Yet when determining whether an area is underserved, RUS will make a loan to any entity which promises a faster speed than is provided by the incumbent, even if the incumbent is providing service far in excess of the 200kbps standard RUS has set for new loans. RUS should be directed to use the same standard for new broadband loans as for the determination that an area is "underserved".

RUS also has determined that an area is underserved if the applicant seeking to provide duplicative service will offer a substantial price differential relative to the incumbent. RUS has no objective standard for determining what constitutes a "substantial price differential".

The RUS broadband program should exclusively focus on extending the reach of broadband in rural America with a goal of ubiquitous deployment. Making loans for duplicative facilities and service, when other citizens in rural America reside in areas with no service at all, is a waste of scarce government resources. To properly redirect government funds to areas unserved by broadband, Congress should clarify that loans funds not be used for duplicative facilities, and should reaffirm that the non-duplication requirements of Title II of the Rural Electrification Act are equally applicable to the Title VI broadband program. The Undersecretary for Rural Development should be required to make a legal finding that any loan for broadband will not result in a duplication of facilities. To assist the Undersecretary in making this finding, RUS broadband applications should include the identity, list of services and charges as well as the service areas of the incumbent provider. Also, to the extent that they do not conflict, Congress should reaffirm that all the provisions of Title II, such as those relating to area coverage and loan feasibility, are equally applicable to the Title VI broadband program.

Elimination of the 7 Percent Cap on the Interest Rate for the "Cost of Money" Program

For a number of years, through the appropriations process, Congress has eliminated the 7 percent "cap" placed on the insured cost-of-money loan program. The

elimination of the cap should continue. If long term Treasury interest rates exceeded the 7 percent ceiling contained in the authorizing act, the subsidy would not be adequate to support the program at the authorized level. This would be extremely disruptive and hinder the program from accomplishing its statutory goals. Accordingly, USTelecom supports continuation of the elimination of the 7 percent cap on cost-of-money insured loans in fiscal year 2009.

Recommended Loan Levels

USTelecom recommends that the telephone program loan levels for fiscal year 2009 be set as follows:

Insured 5 percent Direct Loans	$145,000,000
Insured Cost-of-Money Loans	250,000,000
Loan Guarantees	295,000,000
Broadband Telecommunications Loans	297,293,000
Total	987,293,000

Loans and Grants for Telemedicine and Distance Learning

USTelecom supports the inclusion of $20 million in grants for distance learning and telemedicine, as provided in the President's budget. As we move into the Information Age with the tremendous potential of the Internet to increase productivity, economic development, education and medicine, such funds can help continue the historic mission of RUS to support the extension of vital new services to rural America.

Recertification of Rural Status Would Be Disruptive and Chill Rural Telecom Investment

The administration's budget notes that USDA will propose rule changes to require recertification of rural status for each electric and telecommunications borrower on the first loan request received in or after 2009 and on the first loan request received after each subsequent Census. Telecom construction and investment is a long term continuous process, not a project by project proposition. The uncertainty created by the possibility of decertifying a borrower as rural after it has established a relationship with RUS and begun borrowing funds for expansion and upgrading according to a long term plan would be disruptive and discourage borrowers from participating in the RUS program, thereby denying its benefits to subscribers. The "once rural always rural" practice of RUS has been extraordinarily successful at providing needed long term capital, at a careful and measured pace, to telecom carriers intent on expanding and upgrading service to promote rural economic development. Congress should deny funding in fiscal year 2009 for such a rule change.

CONCLUSION

Our members take pleasure and pride in reminding the Committee that the RUS telecommunications program continues its perfect record of no defaults by telecommunications carriers in over a half century of existence. RUS telecom borrowers take seriously their obligations to their government, their Nation and their subscribers. They will continue to invest in our rural communities, use government loan funds carefully and judiciously, and do their best to assure the continued affordability of telecommunications services in rural America. Our members have confidence that the Committee will continue to recognize the importance of assuring a strong and effective RUS Telecommunications and Broadband Program through authorization of sufficient funding and loan levels.

PREPARED STATEMENT OF THE WILDEARTH GUARDIANS

Re: Request to cut Funding for the USDA–APHIS–WS's Wild Carnivore-Killing Program

We the 30 undersigned organizations, and on behalf of our 10.9 million members across the Nation, respectfully submit the following request that lethal predator control funding be discontinued for the U.S. Department of Agriculture (USDA)—Animal and Plant Health Inspection Service (APHIS)—Wildlife Services (WS). Most Americans strongly support protection of wildlife, endangered species, and carnivores. Several reasons for discontinuing Federal support for predator control exist. Predator control activities are (1) generally ineffective and ecologically harmful; (2) fiscally irresponsible; (3) inhumane and against the public's interest; and (4) a national security hazard. It is time for a change that reflects these facts and that em-

bodies a more enlightened set of values, the weight of public opinion, and public safety.

The WS's Program is Ineffective, Ecologically Harmful, & Fiscally Irresponsible

Large-scale predator eradication is biologically harmful, economically expensive, and inherently non-selective (Treves and Karanth 2003, Mitchell et al. 2004, Stolzenburg 2006). In fact, there is no correlation between the number of coyotes killed and the number of lambs lost (Knowlton et al. 1999, Mitchell et al. 2004). Lethal predator controls do little to benefit the sheep industry; market forces—primarily the price of hay, wages, and lambs—play a far greater role in the decline of the sheep industry than do predators (Berger 2006).

On behalf of agribusiness, over 100,000 native carnivores such as coyotes, bobcats, foxes, bears and wolves are killed each year (in fiscal year 2006, WS killed 117,113). The numbers of predators killed to protect livestock is highly disproportionate—one study showed that somewhere on the order of between 1.5 to 9.7 million animals were killed for the benefit of agricultural interests "without cause," or indiscriminately, by Federal agents during the period 1996 to 2001 (Treves and Karanth 2003). These high levels of predator killing have been aptly dubbed the "sledgehammer" approach to wildlife management (Logan and Sweanor 2001, Mitchell et al. 2004, Stolzenburg 2006). Lethal controls, including poisons, are unselective for specific animals, and are used to remove the most individuals from an area (Mitchell et al. 2004). Yet carnivores are important ecosystem actors. Native carnivores such as wolves, mountain lions, and coyotes increase the richness and complexity of animal life and indirectly contribute to better ecosystem function.[1]

Between 2004 and 2006, WS killed 6,156,223 total animals to protect agricultural interests—at an average annual cost of $100 million. (Table 1.) Most animals were killed with lethal poisons, others with traps and guns. Many were shot from aircraft (see www.goAGRO.org). In the past decade, Wildlife Services has killed an increasing number of species that are protected under the Endangered Species Act.

TABLE 1.—WILDLIFE SERVICES' ANNUAL BUDGET & KILLS

Year	Budget	Total animals killed	Total killed per hour	Mammals killed	Mammals killed per hour
2004	$101,490,740	2,767,152	316	179,251	20
2005	99,792,976	1,746,248	199	170,814	19
2006	108,590,001	1,642,823	188	207,341	24

Sheep and Cattle Losses from Predators are Miniscule and do Not Justify Wildlife Services' Aggressive Killing Schemes

Despite calls from agribusiness for more WS's funding, Congress should consider the tiny effect predators have on livestock; instead, a reduction in is justified. The USDA's own data show that few cattle and sheep die from predation (see Tables 2 through 5).

Every year the USDA's National Agricultural Statistics Service (NASS) reports on the U.S. cattle and sheep production inventory. Every 5 years, NASS counts unintended cattle and sheep deaths from predation, weather, disease, and other causes. The most recent report released for cattle deaths is 2006 and, for sheep, 2005. The reports reflect data from the previous calendar year.

In 2004, sheep producers raised 7,650,000 animals nationwide (USDA NASS 2005b) (USDA NASS 2005b). Native carnivores and domestic dogs killed 3 percent of the total production, or 224,200 sheep (USDA NASS 2005c). In comparison, 5 percent of sheep died from illness, dehydration, falling on their backs or other causes (USDA NASS 2005c) [Tables 2 & 3].

[1] Prior to 1995 in Yellowstone National Park, elk had decimated willow and aspen stands. When wolves were reintroduced, elk were forced to be more mobile to avoid predation. With less elk herbivory, willow and aspen communities returned. Beavers followed; they used the new trees and shrubs to build their dams and lodges. Those structures not only brought water from underground to the surface, but made water flow more dependable. As a result, neotropical and water-wading birds and moose populations increased and diversified (Smith et al. 2003). Secondly, the presence of mountain lions in desert ecosystems can have the same top-down effects resulting in increased biological diversity and functionality of rare riparian systems (Ripple and Beschta 2006). Third, coyotes regulate populations of medium-sized carnivores such as skunks, raccoons, and house cats. Thus coyotes indirectly benefit ground-nesting birds (Crooks and Soule 1999) and make rodent species diversity more robust (Henke and Bryant 1999). Mezquida et al. (2006) found that coyotes indirectly benefit sage grouse populations—a species on the brink.

TABLE 2.—SHEEP AND LAMBS PRODUCED IN 2004 & TOTAL UNINTENDED MORTALITY TOTAL SHEEP & LAMBS

	Total number	Percent of total production
Total sheep & lambs produced in the U.S.	7,650,000	100
Total predator-caused sheep deaths	224,000	2.9
Total sheep deaths from other causes	376,100	4.9

TABLE 3.—OTHER CAUSES OF SHEEP MORTALITY

	Number
Illness/disease	159,350
Lambing	53,400
Unknown	48,100
Old age	39,900
Weather	39,450
Starve, dehydrate, fire	19,400
Poison	10,300
On their back	3,800
Theft	2,400
Total	376,100

The Colorado Woolgrowers website claims that Colorado is the fifth largest sheep producer in the U.S. (CWGA 2008). A report by the Colorado Agricultural Statistics Service (July 2007) shows that the sheep industry decline 48 percent since 1990. Even Colorado WS admits that "the sheep and wool market had declined making it uneconomical to raise sheep" (WS June 2005 CO PDM EA at 11, emphasis added). Yet, WS provides devoted attention to protecting sheep—an industry hammered by global markets, not predators.

In 2005, U.S. producers raised 104.5 million head of cattle (USDA NASS 2005a). Of the 104.5 million cattle that were produced in 2005, 190,000 (or 0.18 percent) died as the result of predation from coyotes, domestic dogs, and other carnivores (USDA NASS 2006). In comparison, livestock producers lost 3.9 million head of cattle (3.69 percent) to maladies, weather, or theft (USDA NASS 2006) [Tables 4 & 5].

TABLE 4.—CATTLE & CALVES PRODUCED IN 2005 & TOTAL UNINTENDED MORTALITY TOTAL CATTLE (BEEF, DAIRY, ETC.)

	Number	Percent of total production
Total cattle (beef, dairy, etc) produced	104,500,000	100
Predator-caused cattle deaths	190,000	18
Cattle death from other causes	3,861,000	3.69

The Public's Interest in Wildlife & Balancing the Economic Equation

According to the Bureau of Land Management (BLM) (2004), "ranching tends to be a low- or negative-profit enterprise, and public land ranchers are no exception." The BLM (2004) adds, "data show that operations in all regions had, on average, negative returns." The Federal agency charged with managing most of the ranches in the West acknowledges that ranching is a poor way to make a living—even when grazing fees are enormously subsidized by the government, and even though Wildlife Services provides heavily subsidized predator-control activities.

The impulse to ranch, suggests the BLM, is not for profit but for social considerations such as "family, tradition, and a desirable way of life" (USDI BLM 2004). There are roughly 23,000 public lands ranching permittees. In one study of Forest Service and BLM ranchers, two general groups of ranchers emerged: hobby ranchers, which represented 50.5 percent of the total, had diversified income sources, and generally had small operations; and, secondly, dependent ranchers, who represented 49.5 percent of the total, were more dependent on ranching income, and ran larger operations which used public lands (USDI BLM 2004). Thus, most ranchers in the West are in the business for pleasure and social reasons, or as a hobby, but not to make a living. Compare 23,000 ranching permittees, half of which are hobby ranch-

ers, with the number of other citizens who appreciate wildlife and spend billions to engage in their various recreational pursuits. [Table 6].

TABLE 5.—CATTLE DEATHS FROM ALL OTHER CAUSES

	Number
Respiratory problems	1,110,000
Digestive problems	648,000
Calving	572,000
Unknown	474,000
Weather	275,000
Other	271,000
Disease	174,000
Lameness/injury	132,000
Metabolic problems	78,000
Mastitis	67,000
Poison	39,000
Theft	21,000
Total	3,861,000

The U.S. Department of Interior, FWS et al. (2007) reported that in the United States in 2006, 12.5 million people hunted, 30 million fished, but 71.1 million people watched wildlife (USDI FWS 2007). [Table 6.] The wildlife-watching group increased substantially from the 2001 study, while the number of hunters and anglers declined (USDI FWS 2001a). The $100 billion spent annually to pursue these pursuits is enormous, especially when compared to the flagging ranching sector.

The fundamental question with regards to wildlife management in the agricultural sector is this: Do taxpayers owe agribusiness a living? If so, at what cost to the public's interest in wildlife protection?

Americans should not be required to further subsidize unnecessary predator control activities serving a select segment of the population. Given that the entire public lands ranching community is made up of 23,000 permittees and that more than half of those produce livestock for social and not economical reasons, WS's funding should, in fact, be reduced, and the predator-control program eliminated.

Wildlife-Killing Programs are Inhumane

Humaneness issues vex WS. WS's own agents admit they have had "diminishing acceptance"—even among wildlife colleagues—when it comes to "guns, traps, and poisons" (US GAO 2001). Muth et al. (2006) studied the response of over 3,000 wildlife professionals and found that most favor a ban on trapping. That is because these kill methods—particularly poisons and traps—are inherently indiscriminate, can be excruciatingly painful, stressful, and injurious (Mason and Littin 2003, Littin and Mellor 2005, Muth et al. 2006, Iossa et al. 2007).

Wildlife Services is a National Security Hazard

WS has failed numerous Federal audits that put the public at risk.

In 2002, the Office of Inspector General (OIG) found that "APHIS could not account for 60 pounds of strychnine-treated bait and over 2,000 capsules containing sodium cyanide" (USDA OIG 2002). The following year, APHIS–WS could account for these toxins, but failed to put in place an "adequate chemical inventory and tracking system" (USDA OIG 2004). In her 2002 statement before Congress, Joyce Fleishman, Acting Inspector General for the USDA reported, "we found that APHIS lacks adequate accountability and control over hazardous pesticides and drugs maintained by some of its State offices for use in wildlife damage control" (Fleischman 2002).

In a 2004 OIG report, Assistant Inspector General Robert Young found that WS could not "fully account for its inventories of hazardous pesticides and controlled drugs" and that the materials were stored in unsafe and insecure ways leaving hazardous material "vulnerable to undetected theft and unauthorized use, and may pose a threat to human and animal safety" (USDA OIG 2004).

TABLE 6.—NATIONAL SURVEY OF FISHING, HUNTING, AND WILDLIFE-ASSOCIATED RECREATION

	No participants (million)	Expenditures (billion)
Hunters	12.5	$22.9

TABLE 6.—NATIONAL SURVEY OF FISHING, HUNTING, AND WILDLIFE-ASSOCIATED RECREATION—Continued

	No participants (million)	Expenditures (billion)
Anglers	30.0	42.2
Wildlife watchers	71.1	45.7

In 2005 and 2006, the USDA OIG failed APHIS in two audits because the agency was not in compliance with the Bioterrorism Preparedness and Response Act. In the first, the OIG found that APHIS had not secured "dangerous biological agents and toxins" (USDA OIG 2006a). In the second, the OIG found that APHIS–WS was not in compliance with regulations; unauthorized persons had access to toxicants; individuals using toxicants had inadequate training; and that inventories of hazardous toxicants were open to theft, transfer, or sale (USDA OIG 2006b). Of the sites OIG visited, none were in compliance (USDA OIG 2006b).

In its November 5, 2007 stakeholder newsletter, WS issued an astonishing revelation:

In the wake of several accidents in WS' programs, WS is conducting a nationwide safety review focusing on aviation and aerial operations, explosives and pyrotechnics, firearms, hazardous chemicals, immobilization and euthanasia, pesticides, vehicles, watercraft, and wildlife disease activities. The review will be conducted by subject matter experts from WS, Federal and State government, and private industry. We expect the review to be completed in the next year. (Emphasis added.)

WS experienced two aircraft crashes in 2007 as part of its aerial-gunning program. The June, Utah event ended in two fatalities, and the September, Texas one resulted in two serious injuries (see www.goAGRO.org). WS's news of a "wake of several accidents" comes on the heels of several failed Federal audits relative to WS's storage, inventory, and access to its toxics supply.

After WS's November 2007 disclosure, Sinapu (n/k/a WildEarth Guardians) and PEER requested that WS conduct the national safety review with public transparency. WS dismissed our concerns. In a November 14 response, Deputy Administrator William Clay wrote that the agency itself would select auditors who "demonstrated professional expertise" and who were "unaffiliated" with the agency. WS plans to embed the outside auditors with an agency insider. Mr. Clay told Sinapu and PEER that the public would have the opportunity to "read the final [national safety review] document" upon completion.

Congressional Precedent for Reform & Conclusion

Through a plethora of investigations, committee reports and attempts at reform over a period of eight decades, the agency that kills wildlife to benefit agribusiness has only limited its activities when compelled to do so. Congress has played an important role in making reform happen.

In 1964, Secretary of the Interior Stewart L. Udall's Advisory Board on Wildlife and Game Management, issued the "Leopold Report" (named for its chairman, Dr. A. Starker Leopold, son of pioneering ecologist Aldo Leopold). The Leopold Report described the killing agency as a "'semi-autonomous bureaucracy whose function in many localities bears scant relationship to real need and less still to scientific management'" (Robinson 2005). The Leopold Report offered reform recommendations to Congress.

In 1971, Secretary of the Interior C. B. Morton convened another investigative committee, this time, chaired by Dr. Stanley A. Cain. The 207-page "Cain Report" lamented that the predator—control program "contains a high degree of built-in resistance to change" and that monetary considerations that favored the livestock industry served to harm native wildlife populations (Cain et al. 1971). The Report called for substantive changes to wildlife management regimes by changing personnel and control methods, valuing "the whole spectrum of public interests and values", and asserting protections for native wildlife (Cain et al. 1971, Robinson 200).

Without firm Congressional resolve, the USDA–WS will continue to test limits that are beyond the pale. WS's sloppy practices have resulted in failed safety audit after failed audit. The agency's "sledgehammer" approach cannot be justified by its numerous costs and risks. Sheep and cattle losses from predators are insignificant, 3 percent and .18 percent, respectively, and yet $100 million is spent each year to kill millions of animals in a way that many find abhorrent and disagreeable. It is taxation without representation, to paraphrase a founding father. Compare the ranching industry's 23,000 public lands permittees to the 71.1 million people who spend $54.7 billion to watch wildlife each year. Our request presents Congress with

a unique opportunity to trim the Federal budget, protect public safety, and conserve native wildlife populations.

PREPARED STATEMENT OF THE AG COUNCIL OF CALIFORNIA; AGRICULTURAL COOPERATIVE COUNCIL OF OREGON; BLUE DIAMOND GROWERS; CALCOT; COBANK; COLORADO COOPERATIVE COUNCIL; DIAMOND FOODS, INC.; GROWMARK; KANSAS COOPERATIVE COUNCIL; LAND O'LAKES; MEADOWBROOK FARMS COOPERATIVE; NATIONAL CORN GROWERS ASSOCIATION; NATIONAL COUNCIL OF FARMER COOPERATIVES; NATIONAL GRAPE COOPERATIVE ASSOCIATION/WELCH'S; OLIVE GROWERS COUNCIL OF CALIFORNIA; SUNKIST GROWERS, INC.; SUNMAID GROWERS OF CALIFORNIA; SUNSWEET GROWERS, INC.; TEXAS AGRICULTURAL COOPERATIVE COUNCIL; VALLEY FIG; AND WINEAMERICA

Dear Chairman Kohl and Ranking Member Bennett: In advance of the fiscal year 2009 Agriculture Appropriations Bill, we are writing to urge your strong support for full funding for USDA's Value-Added Producer Grants Program.

Since its establishment, the Value-Added Producer Grants Program has been a tremendous success. This matching fund program has provided grants to over 900 individual producers, producer-controlled organizations and farmer cooperatives across the Nation.

With those funds, recipients are empowered to capitalize on new value-added business opportunities that would have otherwise gone unexplored. Their successful, self-sustaining products have translated into greater and more stable income for producers from the marketplace. It has also served to promote economic development and create needed jobs, especially in rural areas where employment opportunities are often limited.

The benefits of this program far exceed the cost. Given its track record of success, we believe that strong justification exists to provide full resources to this important program.

Your leadership and support on this issue would be greatly appreciated.

LIST OF WITNESSES, COMMUNICATIONS, AND PREPARED STATEMENTS

SUBJECT INDEX

DEPARTMENT OF AGRICULTURE

OFFICE OF THE SECRETARY

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

○