

2018 President's Budget
Risk Management Agency

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RISK MANAGEMENT AGENCY

Purpose Statement

The Risk Management Agency (RMA) was established under provisions of the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act), P.L. 104-127, enacted April 4, 1996. This Act required that the Secretary establish within the Department an independent office responsible for supervision of the Federal Crop Insurance Corporation (FCIC). RMA provides administration and oversight of programs authorized under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.), including a variety of actuarially sound crop and livestock insurance products and funding for risk management education programs.

Over the past seven decades, Federal crop insurance has been the primary product provided by the FCIC/RMA and consists of various alternatives designed to improve the economic stability of agriculture. Legislation, including the recent Farm Bill, has prompted significant program growth and the development of many large and complex new programs. RMA continuously strives to provide adequate risk protection for our Nation's agricultural producers and to identify and address concerns about Federal crop insurance.

RMA monitors, evaluates, reviews and updates risk management products; reviews and implements private sector products approved by the FCIC Board of Directors to be reinsured by FCIC; and ensures delivery of these products to agricultural producers. Risk management products can help producers protect themselves from yield risks, market risks, or both. Examples of recent enhancements to the crop insurance program include the Supplemental Coverage Option, the Stacked Income Protection Program, expanded Whole Farm Revenue Protection, new and expanded beginning farmer and rancher provisions, Actual Production History Yield Exclusion Options, coverage levels and enterprise units by irrigation practice provisions, improved and expanded coverage for organic producers, expanded forage options, conservation compliance requirements, and trend adjusted Actual Production History. Education and non-insurance risk management assistance initiatives and tools further contribute to the producers' ability to protect their financial stability. Through the use of these tools, agricultural producers have available, a cost-effective means of managing their risk and are able to contribute to the rural economy.

RMA employees are located at the Headquarters office in Washington, D.C.; the National office in Kansas City, MO; ten Regional Offices (ROs); and six Regional Compliance Offices (RCOs). As of September 30, 2016, RMA had 474 full-time permanent employees with staff located throughout the Nation as follows: 80 in Washington, D.C.; 163 in Kansas City, MO; 131 in ROs; and 100 in RCOs.

Major RMA functional areas include: 1) Program Administration including the FCIC Board of Directors; 2) Product Management; 3) Insurance Services including ROs located in: Billings, Montana; Jackson, Mississippi; Oklahoma City, Oklahoma; Raleigh, North Carolina; Davis, California; St. Paul, Minnesota; Spokane, Washington; Springfield, Illinois; Topeka, Kansas; and Valdosta, Georgia; and 4) Compliance including RCOs located in: Dallas, Texas; Indianapolis, Indiana; Kansas City, Missouri; Raleigh, North Carolina; Davis, California; and St. Paul, Minnesota.

OIG Reports - Completed

- # 05601-004-31 12/21/2015 RMA: Crop Insurance Compliance Case Management- OIG's objective was to evaluate RMA's crop insurance compliance case management. Specifically, they examined the adequacy and effectiveness of RMA's processes related to (1) establishing cases; (2) monitoring and tracking cases; (3) monitoring and tracking findings; and (4) final disposition of cases.
- # 05401-005-11 11/10/2015 Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2015 and 2014- OIG's objectives were to determine whether (1) the financial statements present information fairly, in all material respects, and in accordance with generally accepted accounting principles; (2) internal control objectives over financial reporting were met; (3) FCIC/RMA complies with applicable laws and regulations; and (4) information was materially consistent with other sources.
- # 50601-0005-31 4/21/2016 USDA Monitoring of Highly Erodible Land and Wetland Conservation Violations- Interim Report- ongoing audit evaluates the processes Natural Resources Conservation Service (NRCS) and Farm Service Agency (FSA) use to identify and monitor the proper disposition of compliance violations related to the Highly Erodible Land (HEL) and Wetlands conservation provisions of the Food Security Act of 1985.
- # 50024-009-11 5/20/2016 USDA Fiscal Year 2015 Compliance with Improper Payment Requirements- OIG performed a required review of USDA's FY 2015 Agency Financial Report (AFR) and accompanying information to determine whether the agency was compliant with improper payment requirements.
- # 50024-0010-11 9/12/2016 Executive Order 13520, Reducing Improper Payments, Fiscal Year 2015 High Dollar Overpayment Report Review- OIG's objectives were to review the quarterly high-dollar overpayments reports and assess the level of risk associated with applicable agency programs, determine the extent of oversight warranted, and recommend any actions for modifying USDA's recovery and corrective action plans.

OIG Reports - In Progress

- # 50024-0010-11 11/24/2015 Executive Order 13520, Reducing Improper Payments, Fiscal Year 2015 High Dollar Overpayment Report Review- OIG's objectives were to review the quarterly high-dollar overpayments reports and assess the level of risk associated with applicable agency programs, determine the extent of oversight warranted, and recommend any actions for modifying USDA's recovery and corrective action plans.
- # 50024-009-11 11/24/2015 USDA Fiscal Year 2015 Compliance with Improper Payment Requirements- OIG performed a required review of USDA's FY 2015 Agency Financial Report (AFR) and accompanying information to determine whether the agency was compliant with improper payment requirements.
- # 05401-007-11 2/3/2016 Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal year 2016 and 2015- OIG's objectives were to determine whether (1) the financial statements present information fairly, in all material respects, and in accordance with generally accepted accounting principles; (2) internal control objectives over financial reporting were met; (3) FCIC/RMA complies with applicable laws and regulations; and (4) information was materially consistent with other sources.
- # 05601-0005-31 3/15/2016 RMA's Utilization of Contracted Data Mining Results- OIG's objective is to determine whether the results of data mining performed by the Center of Agribusiness Excellence (CAE) is being adequately utilized by the Risk Management Agency (RMA) and approved insurance providers (AIP) to administer and enforce crop insurance program compliance and integrity initiatives.

RISK MANAGEMENT AGENCY

Available Funds and Staff Years (SYs)
(Dollars in thousands)

| Item | 2015 Actual | | 2016 Actual | | 2017 Estimate | | 2018 President's Budget | |
|-----------------------------------|-------------|-----|-------------|-----|---------------|-----|-------------------------|-----|
| | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs |
| Salaries and Expenses: | | | | | | | | |
| Discretionary Appropriations..... | \$74,829 | 438 | \$74,829 | 476 | \$74,687 | 476 | \$55,000 | 476 |
| Federal Crop Insurance Fund | | | | | | | | |
| Mandatory Appropriations..... | 7,779,452 | 57 | 4,868,128 | - | 5,112,000 | - | 8,245,000 | - |
| Sequestration..... | -3,978 | - | -4,046 | - | -4,106 | - | - | - |
| Transfers In..... | 9,575 | - | 12,107 | - | 12,731 | - | 9,000 | - |
| Transfers Out..... | -10,537 | - | -13,069 | - | -13,731 | - | -14,000 | - |
| Adjusted Appropriation..... | 7,849,341 | 495 | 4,937,949 | 476 | 5,181,581 | 476 | 8,295,000 | 476 |
| Balance Available, SOY..... | 570,000 | - | 570,000 | - | 576,000 | - | 579,000 | - |
| Other Adjustments (Net)..... | 3,487,399 | - | 3,764,000 | - | 3,765,152 | - | 4,046,000 | - |
| Total Available..... | 11,906,740 | 495 | 9,271,949 | 476 | 9,522,733 | 476 | 12,920,000 | 476 |
| Lapsing Balances..... | -925 | - | -700 | - | - | - | - | - |
| Balance Available, EOY..... | -570,000 | | -575,000 | - | -579,000 | - | -583,000 | - |
| Obligations..... | 11,335,815 | 495 | 8,696,249 | 476 | 8,943,733 | 476 | 12,337,000 | 476 |
| Total, RMA..... | 11,335,815 | 438 | 8,696,249 | 476 | 8,943,733 | 476 | 12,337,000 | 476 |

RISK MANAGEMENT AGENCY
Permanent Positions by Grade and Staff Year Summary

| Item | 2015 Actual | | | 2016 Enacted | | | 2017 Estimate | | | 2018 President's Budget | | |
|--|-------------|-------|-------|--------------|-------|-------|---------------|-------|-------|-------------------------|-------|-------|
| | D.C. | Field | Total | D.C. | Field | Total | D.C. | Field | Total | D.C. | Field | Total |
| SES..... | 5 | 1 | 6 | 7 | 1 | 8 | 7 | 1 | 8 | 7 | 1 | 8 |
| GS-15..... | 10 | 4 | 14 | 11 | 5 | 16 | 11 | 5 | 16 | 11 | 5 | 16 |
| GS-14..... | 10 | 35 | 45 | 11 | 40 | 51 | 11 | 40 | 51 | 11 | 40 | 51 |
| GS-13..... | 27 | 156 | 183 | 30 | 179 | 208 | 30 | 179 | 209 | 30 | 177 | 207 |
| GS-12..... | 7 | 96 | 103 | 8 | 98 | 104 | 8 | 98 | 106 | 8 | 98 | 106 |
| GS-11..... | 1 | 21 | 22 | 2 | 23 | 25 | 2 | 23 | 25 | 2 | 21 | 25 |
| GS-10..... | 1 | - | 1 | 1 | - | 1 | 1 | - | 1 | 1 | - | 1 |
| GS-9..... | 2 | 18 | 20 | 4 | 23 | 27 | 4 | 21 | 24 | 4 | 23 | 26 |
| GS-8..... | 5 | 3 | 8 | 5 | 2 | 7 | 5 | 2 | 7 | 5 | 2 | 7 |
| GS-7..... | 3 | 19 | 22 | 1 | 21 | 20 | 1 | 19 | 22 | 1 | 21 | 22 |
| GS-6..... | - | 7 | 7 | - | 1 | 1 | - | 1 | 1 | - | 1 | 1 |
| GS-5..... | 1 | 3 | 4 | - | 2 | 2 | - | 2 | 2 | - | 2 | 2 |
| GS-4..... | | | | | 1 | 1 | | 1 | 1 | | 1 | 1 |
| GM-14..... | - | 1 | 1 | - | 1 | 1 | - | 1 | 1 | - | 1 | 1 |
| Ungraded Positions..... | - | 2 | 2 | - | 2 | 2 | - | 2 | 2 | - | 2 | 2 |
| Total Perm. Positions..... | 72 | 366 | 438 | 80 | 399 | 474 | 80 | 396 | 476 | 80 | 396 | 476 |
| Total, Perm. Full-Time Employment, EOY..... | 72 | 366 | 438 | 80 | 399 | 474 | 80 | 396 | 476 | 80 | 396 | 476 |
| Staff Year Est..... | 74 | 364 | 438 | 80 | 396 | 476 | 80 | 396 | 476 | 80 | 396 | 476 |

RISK MANAGEMENT AGENCY
Size, Composition, and Operating Costs of Vehicle Fleet

| Fiscal Year | Number of Vehicles by Type * | | | | | | | | Annual Operating Costs (\$ in 000) ** |
|-------------|------------------------------|------------------------------|-----|----------------------|------------|-------|---------------------|--------------------------|---------------------------------------|
| | Sedans and Station Wagons | Light Trucks, SUVs, and Vans | | Medium Duty Vehicles | Ambulances | Buses | Heavy Duty Vehicles | Total Number of Vehicles | |
| | | 4x2 | 4x4 | | | | | | |
| 2015 | - | 2 | 3 | - | - | - | - | 5 | \$28 |
| Change | - | +1 | - | - | - | - | - | +1 | \$2 |
| 2016 | - | 3 | 3 | - | - | - | - | 6 | \$30 |
| Change | - | -2 | - | - | - | - | - | -2 | - |
| 2017 | - | 1 | 3 | - | - | - | - | 4 | \$30 |
| Change | - | - | - | - | - | - | - | - | - |
| 2018 | - | 1 | 3 | - | - | - | - | 4 | \$30 |

(* Numbers include vehicles owned by the agency and leased from commercial sources or GSA.)

NOTES:

These vehicles are assigned in RMA field structure to the Regional and Compliance Field Offices. Each Regional and Compliance office is assigned a geographical area within the United States to perform monitoring and oversight of the Federal crop insurance program. These vehicles are used to perform site visits of crops and/or inspections of crop losses. Also, they are used to attend conferences and meetings related to the agency's mission. For these vehicles leased from GSA, RMA relies upon GSA to supply the agency with alternative-fueled vehicles as required by law.

RISK MANAGEMENT AGENCY
SALARIES AND EXPENSES
Appropriations Language

The estimates include appropriation language for this item as follows (new language underscored; deleted enclosed in brackets):

Salaries and Expenses:

For necessary expenses of the Risk Management Agency, [\$74,829,000] \$55,000,000: Provided, That not to exceed \$1,000 shall be available for official reception and representation expenses as authorized by 7 U.S.C. 1506(i). Note.--A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

Lead-Off Tabular Statement

| | |
|--|--------------|
| Budget Estimate, 2018..... | \$55,000,000 |
| 2017 Annualized Continuing Resolution..... | 74,687,000 |
| Change in Appropriation..... | -19,687,000 |

Summary of Increases and Decreases
(Dollars in thousands)

| Program | 2015 Actual | 2016 Change | 2017 Change | 2018 Change | 2018 President's Budget |
|-------------------------------|----------------|----------------|----------------|----------------|-------------------------------|
| Discretionary Appropriations: | | | | | |
| Total Appropriation..... | \$74,829 | - | -\$142 | -\$19,687 | \$55,000 |

RISK MANAGEMENT AGENCY
SALARIES AND EXPENSES

Project Statement
Adjusted Appropriations Detail and Staff Years (SYs)
(Dollars in thousands)

| Program | 2015 Actual | | 2016 Actual | | 2017 Estimate | | Inc. or Dec. | | 2018 President's Budget | | |
|-------------------------------|-------------|-----|-------------|-----|---------------|-----|--------------|-----|-------------------------|----------|-----|
| | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs | |
| Discretionary Appropriations: | | | | | | | | | | | |
| Salaries and Expenses..... | \$74,829 | 438 | \$74,829 | 476 | \$74,687 | 476 | -\$19,687 | (1) | - | \$55,000 | 476 |
| Transfers In: | | | | | | | | | | | |
| Cong. Relations..... | 38 | - | 38 | - | - | - | - | - | - | - | - |
| FCIA Farm Bill..... | 5,537 | - | 8,069 | - | 8,731 | - | +269 | - | - | 9,000 | - |
| Subtotal..... | 5,575 | - | 8,107 | - | 8,731 | - | +269 | - | - | 9,000 | - |
| Total Available..... | 80,404 | 438 | 82,936 | 476 | 83,418 | 476 | -19,418 | - | - | 64,000 | 476 |
| Lapsing Balances..... | -925 | - | -700 | - | - | - | - | - | - | - | - |
| Total Obligations..... | 79,479 | 438 | 82,236 | 476 | 83,418 | 476 | -19,418 | - | - | 64,000 | 476 |

Project Statement
Obligations Detail and Staff Years (SYs)
(Dollars in thousands)

| Program | 2015 Actual | | 2016 Actual | | 2017 Estimate | | Inc. or Dec. | | 2018 President's Budget | | |
|----------------------------|-------------|-----|-------------|-----|---------------|-----|--------------|-----|-------------------------|----------|-----|
| | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs | |
| Discretionary Obligations: | | | | | | | | | | | |
| Salaries and Expenses..... | \$79,479 | 438 | \$82,236 | 476 | \$83,418 | 476 | -\$19,418 | - | - | \$64,000 | 476 |
| Lapsing Balances..... | 925 | - | 700 | - | - | - | - | - | - | - | - |
| Total Available..... | 80,404 | 438 | 82,936 | 476 | 83,418 | 476 | -19,418 | - | - | 64,000 | 476 |
| Transfers In..... | -5,575 | - | -8,107 | - | -8,731 | - | -269 | - | - | -9,000 | - |
| Transfers Out..... | - | - | - | - | - | - | - | - | - | - | - |
| Total Appropriation..... | 74,829 | 438 | 74,829 | 476 | 74,687 | 476 | -19,687 | - | - | 55,000 | 476 |

RISK MANAGEMENT AGENCY
SALARIES AND EXPENSES

Justification of Increases and Decreases

Base funds will allow RMA to continue serving America's agricultural producers through effective, market-based risk management tools and solutions to strengthen the economic stability of agricultural producers and rural communities. RMA will continue to provide world class agricultural risk management products, tools, education, and outreach. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

- (1) A net decrease of \$19,687,000 in administrative, operating and activities directed at achieving the RMA mission, goals, and objectives (\$74,687,000 and 476 staff years available in 2017).

Farmers and ranchers rely upon crop insurance to protect them from the inherently risky business of agricultural production. America relies on the Federal crop insurance program assists in keeping an abundant supply of food, fiber, and fuel flowing from farms and ranches, and to help ensure food security for the Nation. RMA also works to ensure the actuarial soundness of current agricultural insurance products and enhance ongoing efforts to prevent and uncover waste, fraud, and abuse in the program. The funding change is requested for the following items:

- a) An increase of \$997,000 for pay costs (\$248,000 for annualization of the 2017 pay increase and \$749,000 for the 2018 pay increase).
The proposed funding level is needed to cover pay and benefit cost increases for existing staff. This will ensure adequate resources are available for the office to carry out its full range of responsibilities and support USDA program delivery.

- b) A decrease of \$684,000 in operating expenses.
The reduction will be achieved by lowering spending in non-personnel costs such as travel, training and other operating expenses.

- c) A decrease of \$20,000,000 in operating expenses.
The Budget request reduces \$20 million in operating expenses from this account that is offset by the use of \$20 million in fees in the FCIC account to be used on administrative and operating expenses.

RISK MANAGEMENT AGENCY
Geographic Breakdown of Obligations and Staff Years
(Dollars in thousands and Staff Years (SYs))

| State/Territory | 2015 Actual | | 2016 Actual | | 2017 Estimate | | 2018 President's Budget | |
|---------------------------|-------------|-----|-------------|-----|---------------|-----|-------------------------|-----|
| | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs |
| California..... | \$2,961 | 24 | \$3,082 | 26 | \$3,113 | 26 | \$2,372 | 26 |
| District of Columbia..... | 36,699 | 76 | 38,909 | 80 | 39,109 | 80 | 29,928 | 80 |
| Florida..... | 107 | 1 | - | - | - | - | - | - |
| Georgia..... | 1,227 | 12 | 1,227 | 14 | 1,290 | 14 | 983 | 14 |
| Illinois..... | 1,621 | 15 | 1,601 | 13 | 1,687 | 13 | 1,298 | 13 |
| Indiana..... | 1,192 | 12 | 1,423 | 16 | 1,423 | 16 | 955 | 16 |
| Kansas..... | 1,767 | 15 | 1,276 | 13 | 1,548 | 13 | 1,415 | 13 |
| Louisiana..... | 167 | 1 | 174 | 1 | 174 | 1 | 134 | 1 |
| Minnesota..... | 3,469 | 25 | 3,611 | 34 | 3,647 | 34 | 2,779 | 34 |
| Mississippi..... | 1,494 | 13 | 1,555 | 10 | 1,571 | 10 | 1,197 | 10 |
| Missouri..... | 18,993 | 160 | 19,571 | 177 | 19,771 | 177 | 15,214 | 177 |
| Montana..... | 1,615 | 13 | 1,681 | 15 | 1,681 | 15 | 1,294 | 15 |
| North Carolina..... | 3,332 | 31 | 3,369 | 30 | 3,504 | 30 | 2,670 | 30 |
| North Dakota..... | 107 | 1 | 111 | 1 | 111 | 1 | 85 | 1 |
| Oklahoma..... | 914 | 8 | 955 | 13 | 965 | 13 | 735 | 13 |
| Texas..... | 2,106 | 16 | 2,192 | 20 | 2,192 | 20 | 1,685 | 20 |
| Virginia..... | 140 | 1 | - | - | - | - | - | - |
| Washington..... | 1,568 | 14 | 1,499 | 13 | 1,632 | 13 | 1,256 | 13 |
| Obligations..... | 79,479 | 438 | 82,236 | 476 | 83,418 | 476 | 64,000 | 476 |
| Lapsing Balances..... | 925 | - | 700 | - | - | - | - | - |
| Total, Available..... | 80,404 | 438 | 82,936 | 476 | 83,418 | 476 | 64,000 | 476 |

RISK MANAGEMENT AGENCY

Classification by Objects
(Dollars in thousands)

| | 2015 | 2016 | 2017 | 2018 |
|---|---------|---------|----------|-----------------------|
| | Actual | Enacted | Estimate | President's Budget |
| Personnel Compensation: | | | | |
| Washington D.C..... | \$7,816 | \$9,328 | \$9,467 | \$9,614 |
| Field..... | 33,384 | 37,222 | 37,776 | 38,366 |
| 11 Total personnel compensation..... | 41,200 | 46,550 | 47,243 | 47,980 |
| 12 Personal benefits..... | 12,937 | 14,663 | 14,906 | 15,166 |
| 13.0 Benefits for former personnel..... | 13 | 13 | 13 | 13 |
| Total, personnel comp. and benefits..... | 54,150 | 61,226 | 62,162 | 63,159 |
| Other Objects: | | | | |
| 21.0 Travel and transportation of persons..... | 1,452 | 1,795 | 1,904 | 0 |
| 22.0 Transportation of things..... | 38 | 40 | 40 | 40 |
| 23.1 Rental payments to GSA..... | 2,863 | 2,894 | 2,909 | 0 |
| 23.2 Rental payments to others..... | 251 | 250 | 250 | 0 |
| 23.3 Communications, utilities, and misc. charges.... | 800 | 800 | 800 | 0 |
| 24.0 Printing and reproduction..... | 15 | 22 | 22 | 22 |
| 25.1 Advisory and assistance services..... | 2,500 | 2,438 | 2,836 | 0 |
| 25.3 Other purchases of goods and services from Federal sources..... | 4,250 | 4,500 | 4,500 | 0 |
| 25.4 Operation and maintenance of facilities..... | 142 | 200 | 200 | 200 |
| 25.7 Operation and maintenance of equipment..... | 12,137 | 7,151 | 6,875 | 0 |
| 25.8 Subsistence and support of persons..... | 250 | 250 | 250 | 250 |
| 26.0 Supplies and materials..... | 171 | 170 | 170 | 329 |
| 31.0 Equipment..... | 460 | 500 | 500 | 0 |
| Total, Other Objects..... | 25,329 | 21,010 | 21,256 | 841 |
| 99.9 Total, new obligations..... | 79,479 | 82,236 | 83,418 | 64,000 |
| DHS Building Security (included above in 25.3)..... | \$350 | \$400 | \$412 | \$425 |
| Position Data: | | | | |
| Average Salary (dollars), ES Position..... | 165,946 | 167,605 | 199,224 | 201,286 |
| Average Salary (dollars), GS Position..... | 88,175 | 89,057 | 89,489 | 90,415 |
| Average Grade, GS Position..... | 12.1 | 12.1 | 12.1 | 12.1 |

RISK MANAGEMENT AGENCY
Shared Funding Projects
(Dollars in thousands)

| | 2015 | 2016 | 2017 | 2018 |
|--|--------|--------|----------|-----------------------|
| | Actual | Actual | Estimate | President's Budget |
| Working Capital Fund: | | | | |
| HR Enterprise System Management..... | - | \$4 | \$4 | \$5 |
| Integrated Procurement Systems..... | \$12 | 16 | 16 | 22 |
| Mail and Reproduction Services..... | 60 | 53 | 71 | 58 |
| Materiel Management Service Center..... | 11 | 16 | 18 | 15 |
| Procurement Operations Division..... | 8 | - | - | 0 |
| Subtotal..... | 92 | 89 | 109 | 100 |
| Correspondence Management..... | 27 | 29 | 32 | 29 |
| Creative Media and Broadcast Center..... | 33 | 29 | 27 | 23 |
| Subtotal..... | 60 | 58 | 59 | 52 |
| Financial Management Services..... | 357 | 331 | 408 | 380 |
| Internal Control Support Services..... | 114 | 132 | 154 | 149 |
| National Finance Center..... | 69 | 74 | 122 | 110 |
| Subtotal..... | 540 | 537 | 684 | 639 |
| Client Technology Service..... | 296 | 153 | 411 | 381 |
| National Information Technology Center..... | 78 | 107 | 177 | 164 |
| Enterprise Network Services..... | 77 | 104 | 378 | 394 |
| Subtotal..... | 451 | 364 | 966 | 939 |
| Total, Working Capital Fund..... | 1,143 | 1,048 | 1,818 | 1,730 |
| Departmental Shared Cost Programs: | | | | |
| 1890 USDA Initiatives..... | 12 | 14 | 17 | 15 |
| Classified National Security Information..... | 4 | 3 | 3 | 3 |
| Continuity of Operations Planning..... | 9 | 9 | 9 | 9 |
| Emergency Operations Center..... | 10 | 10 | 10 | 9 |
| Facility and Infrastructure Review and Assessment..... | 2 | 2 | 2 | 2 |
| Faith-Based & Neighborhood Partnerships..... | 2 | 2 | 2 | 2 |
| Hispanic-Serving Institutions National Program..... | 8 | 8 | 9 | 8 |
| Human Resources Transformation..... | 8 | 8 | 7 | 7 |
| Identity & Access Management (HSPD-12)..... | 30 | 29 | 30 | 27 |
| Medical Services..... | 5 | 6 | 7 | 6 |
| People's Garden..... | 3 | 3 | 3 | 3 |
| Personnel Security Branch (was PDSD)..... | 5 | 14 | 11 | 10 |
| Preauthorized Funding..... | 17 | 17 | 17 | 15 |
| Retirement Processor Web Application..... | 3 | 3 | 3 | 2 |
| TARGET Center..... | 6 | 6 | 6 | 6 |
| USDA 1994 Program..... | 3 | 3 | 3 | 3 |
| Virtual University..... | 9 | 9 | 9 | 8 |
| Total, Departmental Shared Cost Programs..... | 136 | 143 | 149 | 135 |

RISK MANAGEMENT AGENCY

Shared Funding Projects
(Dollars in thousands)

| | 2015 <u>Actual</u> | 2016 <u>Actual</u> | 2017 <u>Estimate</u> | 2018 <u>Estimate</u> |
|--|-----------------------|-----------------------|-------------------------|-------------------------|
| E-Gov: | | | | |
| Disaster Assistance Improvement Plan..... | \$2 | \$3 | \$5 | \$5 |
| Enterprise Human Resources Integration..... | 9 | 8 | 9 | 9 |
| E-Rulemaking..... | 4 | 11 | 23 | 28 |
| E-Training..... | 12 | 12 | - | - |
| Financial Management Line of Business..... | 1 | 1 | 1 | 1 |
| Geospatial Line of Business..... | - | 7 | 13 | 13 |
| GovBenefits.gov..... | 6 | 9 | 12 | 13 |
| Grants.gov..... | 2 | - | - | - |
| Human Resources Line of Business..... | 1 | 1 | 1 | 1 |
| Integrated Acquisition Environment - Loans and Grants..... | 8 | - | - | - |
| Integrated Acquisition Environment..... | 3 | 6 | 1 | 1 |
| Total, E-Gov..... | 48 | 59 | 65 | 71 |
| | | | | |
| Agency Total..... | <u>1,328</u> | <u>1,250</u> | <u>2,033</u> | <u>1,937</u> |

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND
Appropriations Language

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Federal Crop Insurance Corporation Fund:

For payments as authorized by section 516 of the Federal Crop Insurance Act (7 U.S.C. 1516), such sums as may be necessary, to remain available until expended.

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Lead-Off Tabular Statement

Current Law

| | |
|--|-------------|
| Budget Estimate, 2018..... | \$8,245,000 |
| 2017 Annualized Continuing Resolution..... | 5,112,000 |
| Change in Appropriation..... | + 3,133,000 |

Summary of Increases and Decreases
(Dollars in thousands)

| Program | 2015 | 2016 | 2017 | 2018 | 2018 President's Budget |
|---|-----------|------------|----------|------------|-------------------------------|
| | Actual | Change | Change | Change | |
| Mandatory Appropriations: | | | | | |
| Premium Subsidy..... | 5,180,866 | -3,677,097 | -445,169 | +4,701,400 | 5,760,000 |
| Delivery Expense..... | 1,413,265 | +57,395 | -118,260 | +600 | 1,353,000 |
| Underwriting Gain..... | 1,104,974 | +729,021 | +800,005 | -1,569,000 | 1,065,000 |
| Federal Crop Insurance Act Initiatives..... | 60,347 | -20,643 | +7,296 | - | 47,000 |
| Subtotal..... | 7,759,452 | -2,911,324 | +243,872 | +3,133,000 | 8,225,000 |
| Cat. / Administrative Fees..... | 20,000 | - | - | - | 20,000 |
| Total | 7,779,452 | -2,911,324 | +243,872 | +3,133,000 | 8,245,000 |

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Project Statement
Adjusted Appropriations Detail and Staff Years (SYs)
(Dollars in thousands)

| Program | 2015 Actual | | 2016 Actual | | 2017 Estimate | | Inc. or Dec. | | 2018 President's Budget | | |
|--|-------------|-----|-------------|-----|---------------|-----|--------------|-----|-------------------------|------------|---|
| | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs | |
| Mandatory Appropriations: | | | | | | | | | | | |
| Premium Subsidy..... | 5,180,866 | - | 1,503,769 | - | 1,058,600 | - | +4,701,400 | (a) | - | 5,760,000 | - |
| Delivery Expense..... | 1,413,265 | - | 1,470,660 | - | 1,352,400 | - | +600 | (b) | - | 1,353,000 | - |
| Underwriting Gain..... | 1,104,974 | - | 1,833,995 | - | 2,634,000 | - | -1,569,000 | (c) | - | 1,065,000 | - |
| Federal Crop Insurance Act Initiatives.. | 60,347 | 57 | 39,704 | - | 47,000 | - | - | - | - | 47,000 | - |
| Subtotal..... | 7,759,452 | 57 | 4,848,128 | - | 5,092,000 | - | +3,133,000 | - | - | 8,225,000 | - |
| Crop Insurance Fees..... | 20,000 | - | 20,000 | - | 20,000 | - | - | - | - | 20,000 | - |
| Subtotal..... | 20,000 | - | 20,000 | - | 20,000 | - | - | - | - | 20,000 | - |
| Total Appropriation..... | 7,779,452 | 57 | 4,868,128 | - | 5,112,000 | - | +3,133,000 | (1) | - | 8,245,000 | - |
| Transfers In: | | | | | | | | | | | |
| AMA Funding..... | 4,000 | - | 4,000 | - | 4,000 | - | -4,000 | - | - | - | - |
| Total..... | 4,000 | - | 4,000 | - | 4,000 | - | -4,000 | - | - | - | - |
| Transfers Out: | | | | | | | | | | | |
| NIFA..... | -5,000 | - | -5,000 | - | -5,000 | - | - | - | - | -5,000 | - |
| RMA S&E..... | -5,537 | - | -8,069 | - | -8,731 | - | -269 | - | - | -9,000 | - |
| Subtotal..... | -10,537 | - | -13,069 | - | -13,731 | - | -269 | - | - | -14,000 | - |
| Sequestration..... | -3,978 | - | -4,046 | - | -4,106 | - | +4,106 | - | - | - | - |
| Transfers and Seq. (Net)..... | -10,515 | - | -13,115 | - | -13,837 | - | -163 | - | - | -14,000 | - |
| Total Adjusted Appropriation..... | 7,768,937 | 57 | 4,855,013 | - | 5,098,163 | - | +3,132,837 | - | - | 8,231,000 | - |
| Bal. Available, SOY..... | 570,000 | - | 570,000 | - | 576,000 | - | +3,000 | - | - | 579,000 | - |
| Recoveries, Other (Net)..... | 3,487,399 | - | 3,764,000 | - | 3,765,152 | - | +280,848 | - | - | 4,046,000 | - |
| Total Available..... | 11,826,336 | 57 | 9,189,013 | - | 9,439,315 | - | +3,416,685 | - | - | 12,856,000 | - |
| Bal. Available, EOY..... | -570,000 | - | -575,000 | - | -579,000 | - | -4,000 | - | - | -583,000 | - |
| Total Obligations..... | 11,256,336 | 57 | 8,614,013 | - | 8,860,315 | - | +3,412,685 | - | - | 12,273,000 | - |

Obligations Detail and Staff Years (SYs)
(Dollars in thousands)

| Program | 2015 Actual | | 2016 Actual | | 2017 Estimate | | Inc. or Dec. | | 2018 President's Budget | | |
|--|-------------|-----|-------------|-----|---------------|-----|--------------|-----|-------------------------|------------|---|
| | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs | |
| Mandatory Obligations: | | | | | | | | | | | |
| Indemnities..... | 8,678,015 | - | 5,276,039 | - | 4,807,315 | - | +4,980,685 | - | - | 9,788,000 | - |
| Delivery Expense..... | 1,413,265 | - | 1,460,051 | - | 1,352,000 | - | +1,000 | - | - | 1,353,000 | - |
| Underwriting Gain..... | 1,104,974 | - | 1,833,994 | - | 2,634,000 | - | -1,569,000 | - | - | 1,065,000 | - |
| Federal Crop Insurance Act Initiatives.. | 59,257 | 57 | 39,704 | - | 47,000 | - | - | - | - | 47,000 | - |
| Program Related IT..... | 825 | - | 4,225 | - | 20,000 | - | - | - | - | 20,000 | - |
| Subtotal..... | 11,256,336 | 57 | 8,614,013 | - | 8,860,315 | - | +3,412,685 | - | - | 12,273,000 | - |
| Total Obligations..... | 11,256,336 | 57 | 8,614,013 | - | 8,860,315 | - | +3,412,685 | - | - | 12,273,000 | - |
| Bal. Available, EOY..... | 570,000 | - | 575,000 | - | 579,000 | - | 10,000 | - | - | 583,000 | - |
| Total Available..... | 11,826,336 | 57 | 9,189,013 | - | 9,439,315 | - | +3,416,685 | - | - | 12,856,000 | - |
| Transfers In..... | -4,000 | - | -4,000 | - | -4,000 | - | 4,000 | - | - | - | - |
| Transfers Out..... | 10,537 | - | 13,069 | - | 13,731 | - | 269 | - | - | 14,000 | - |
| Sequestration..... | 3,978 | - | 4,046 | - | 4,106 | - | -4,106 | - | - | - | - |
| Bal. Available, SOY..... | -570,000 | - | -570,000 | - | -576,000 | - | -3,000 | - | - | -579,000 | - |
| Other Adjustments (Net)..... | -3,487,399 | - | -3,764,000 | - | -3,765,152 | - | -280,848 | - | - | -4,046,000 | - |
| Total Appropriation..... | 7,779,452 | 57 | 4,868,128 | - | 5,112,000 | - | +3,133,000 | - | - | 8,245,000 | - |

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND
Justification

- (1) An increase of \$3,133,000,000 is estimated for the Federal Crop Insurance Corporation (FCIC) Fund, (\$5,112,000,000 available in 2017).

Base funding supports RMA's mission to serve America's agricultural producers through effective, market-based risk management tools and solutions to strengthen the economic stability of agricultural producers and rural communities. Continuation of the program is critical if the agency is to continue to provide an actuarially sound risk management program.

The FCIC provides an actuarially sound risk management program that protects against agricultural production losses due to multi-peril risks such as drought, excessive moisture, hail, wind, hurricane, tornado, lightning, and insects.

The funding change is requested for the following items:

- a. An increase of \$4,701,400,000 for premium subsidy (\$1,058,600,000 available in 2017).

Premium subsidy is the amount of total premium paid by FCIC on behalf of producers. The cost to FCIC is driven by the price of commodities it insures. Commodity prices are expected to increase in 2018, which increases the value of insurance and in turn, increases premium subsidies paid by FCIC. Fiscal year 2017 estimate is at the current 0.52 loss ratio and 2018 estimate is budgeted at a 1.0 loss ratio.

- b. An increase of \$600,000 for delivery expense (\$1,352,400,000 available in 2017).

Delivery expenses are administrative and operating reimbursements provided to approved insurance providers (AIPs). They cover the cost of selling and servicing crop insurance products to American producers and are based on a percentage of estimated total premium. The 2011 Standard Reinsurance Agreement allows for annual adjustments of delivery expenses paid to AIPs, primarily due to the annual inflation cap which accounts for the increase in this fiscal year.

- c. A decrease of \$1,569,000,000 for underwriting gains (\$2,634,000,000 available in 2017).

Underwriting gains are a reinsured company's share of net book premium that exceeds their share of net losses (indemnities). Underwriting gains are expected to decrease based on lower estimated retained premium in 2018, which is premium retained by companies after FCIC reinsurance. Also, 2017 shows larger underwriting gains because of lower loss ratios across the program.

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Summary of Proposed Legislation

Program: Federal Crop Insurance Corporation Fund
 Proposal: Limit Premium Subsidies for Crop Insurance
 Rationale: The 2018 Budget proposes to establish a limit of \$40,000 for the premium subsidies an individual or entity may receive. This limit would reduce subsidies that are arguably no longer necessary to encourage participation, as crop insurance is now an established part of the farm industry's business plans. The \$40,000 limit in premium subsidy would apply to all levels of coverage, including catastrophic coverage.
 Goal: The goal of this proposal is to optimize the current crop insurance program so that it will continue to provide a quality safety net at a lower cost. This proposal will provide a total savings of \$16.2 billion over the next 10 years.

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------|------|------|--------|--------|--------|
| Budget Authority | 0 | 0 | -1,552 | -1,620 | -1,815 |
| Outlays | 0 | 0 | -1,552 | -1,620 | -1,815 |

Program: Federal Crop Insurance Corporation Fund
 Proposal: Eliminate Subsidized Harvest Price Revenue Coverage.
 Rationale: The 2018 Budget proposes to eliminate the ability for producers to insure their crops at the higher of the price projected at planting or the harvest price. Crop insurance was not designed to reduce risk in forward selling. Producers that want to hedge their risk can do so using futures and options on commodity exchanges. This proposal maintains the crop insurance program as a tool for farmers to use as protection in times of low yields and low prices.
 Goal: The goal of this proposal is to optimize the current crop insurance program and maintain the program as a tool for producers. This proposal will provide a total ten-year savings of \$11.9 billion.

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------|------|------|--------|--------|--------|
| Budget Authority | 0 | 0 | -1,212 | -1,251 | -1,314 |
| Outlays | 0 | 0 | -1,212 | -1,251 | -1,314 |

Program: Federal Crop Insurance Corporation Fund
 Proposal: Eliminate premium subsidy for farmers with an Adjusted Gross Income (AGI) of over \$500k.
 Rationale: The 2018 Budget proposes to target crop insurance subsidies to those producers that have an Adjusted Gross Income (AGI) of \$500,000 or less. This proposal would better target Government assistance to those producers in need of subsidies.
 Goal: The goal of this proposal is to improve the integrity of crop insurance. This proposal will save \$420 million over the next 10 years.

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------|------|------|------|------|------|
| Budget Authority | 0 | 0 | -34 | -35 | -40 |
| Outlays | 0 | 0 | -34 | -35 | -40 |

RISK MANAGEMENT AGENCY
Geographic Breakdown of Obligations and Staff Years
(Dollars in thousands and Staff Years (SYs))

| State/Territory | 2015 Actual | | 2016 Actual | | 2017 Estimate | | 2018 President's Budget | |
|--------------------------|-------------|-----|-------------|-----|---------------|-----|-------------------------|-----|
| | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs |
| Alabama..... | \$37,499 | - | \$39,156 | - | \$34,809 | - | \$71,612 | - |
| Alaska..... | 56 | - | 40 | - | 40 | - | 82 | - |
| Arizona..... | 18,510 | - | 16,740 | - | 10,685 | - | 21,982 | - |
| Arkansas..... | 129,085 | - | 135,906 | - | 115,340 | - | 237,287 | - |
| California..... | 427,012 | - | 565,112 | - | 505,339 | - | 789,625 | - |
| Colorado..... | 134,678 | - | 71,317 | - | 77,254 | - | 158,933 | - |
| Connecticut..... | 1,229 | - | 2,472 | - | 2,393 | - | 4,923 | - |
| Delaware..... | 1,124 | - | 2,440 | - | 2,387 | - | 4,911 | - |
| Florida..... | 37,864 | - | 54,603 | - | 45,797 | - | 94,217 | - |
| Georgia..... | 151,066 | - | 97,563 | - | 85,881 | - | 176,681 | - |
| Hawaii..... | 394 | - | 1,339 | - | 976 | - | 2,008 | - |
| Idaho..... | 78,756 | - | 44,360 | - | 39,867 | - | 82,018 | - |
| Illinois..... | 331,499 | - | 401,915 | - | 390,715 | - | 803,811 | - |
| Indiana..... | 165,271 | - | 433,113 | - | 400,329 | - | 823,590 | - |
| Iowa..... | 1,430,749 | - | 120,273 | - | 121,691 | - | 250,353 | - |
| Kansas..... | 457,270 | - | 133,281 | - | 145,786 | - | 299,923 | - |
| Kentucky..... | 136,260 | - | 100,982 | - | 99,459 | - | 204,615 | - |
| Louisiana..... | 50,946 | - | 92,450 | - | 89,287 | - | 183,689 | - |
| Maine..... | 2,727 | - | 8,307 | - | 8,115 | - | 16,695 | - |
| Maryland..... | 7,273 | - | 8,302 | - | 8,103 | - | 16,670 | - |
| Massachusetts..... | 2,543 | - | 3,697 | - | 3,780 | - | 7,777 | - |
| Michigan..... | 122,709 | - | 63,943 | - | 60,354 | - | 124,165 | - |
| Minnesota..... | 1,247,698 | - | 131,065 | - | 90,288 | - | 185,748 | - |
| Mississippi..... | 93,479 | - | 129,667 | - | 123,313 | - | 253,690 | - |
| Missouri..... | 324,201 | - | 295,971 | - | 303,258 | - | 579,982 | - |
| Montana..... | 103,725 | - | 98,226 | - | 99,777 | - | 205,269 | - |
| Nebraska..... | 518,791 | - | 125,115 | - | 102,568 | - | 211,011 | - |
| Nevada..... | 25,194 | - | 25,598 | - | 27,602 | - | 56,785 | - |
| New Hampshire..... | 299 | - | 263 | - | 220 | - | 453 | - |
| New Jersey..... | 2,930 | - | 4,241 | - | 4,254 | - | 8,752 | - |
| New Mexico..... | 16,434 | - | 17,780 | - | 15,830 | - | 32,567 | - |
| New York..... | 40,835 | - | 48,411 | - | 46,648 | - | 95,968 | - |
| North Carolina..... | 111,841 | - | 287,948 | - | 250,109 | - | 514,545 | - |
| North Dakota..... | 471,655 | - | 279,518 | - | 262,503 | - | 540,043 | - |
| Ohio..... | 141,829 | - | 172,791 | - | 178,013 | - | 366,223 | - |
| Oklahoma..... | 170,353 | - | 68,571 | - | 68,264 | - | 140,438 | - |
| Oregon..... | 49,680 | - | 34,894 | - | 30,231 | - | 62,194 | - |
| Pennsylvania..... | 26,730 | - | 30,591 | - | 28,687 | - | 59,017 | - |
| Rhode Island..... | 59 | - | 73 | - | 72 | - | 148 | - |
| South Carolina..... | 51,509 | - | 147,062 | - | 123,773 | - | 254,636 | - |
| South Dakota..... | 245,193 | - | 174,098 | - | 161,096 | - | 331,420 | - |
| Tennessee..... | 55,273 | - | 43,311 | - | 40,677 | - | 83,684 | - |
| Texas..... | 751,935 | - | 472,587 | - | 444,576 | - | 864,618 | - |
| Utah..... | 1,943 | - | 3,513 | - | 3,481 | - | 7,161 | - |
| Vermont..... | 2,056 | - | 3,165 | - | 3,186 | - | 6,555 | - |
| Virginia..... | 28,607 | - | 41,183 | - | 40,607 | - | 83,540 | - |
| Washington..... | 192,495 | - | 177,052 | - | 164,556 | - | 338,538 | - |
| West Virginia..... | 1,238 | - | 1,194 | - | 1,157 | - | 2,380 | - |
| Wisconsin..... | 263,137 | - | 54,620 | - | 51,545 | - | 106,043 | - |
| Wyoming..... | 14,376 | - | 13,497 | - | 12,074 | - | 24,840 | - |
| Undistributed a/..... | 2,578,321 | - | 3,334,698 | - | 3,933,563 | - | 2,481,185 | - |
| Obligations..... | 11,256,336 | - | 8,614,013 | - | 8,860,315 | - | 12,273,000 | - |
| Lapsing Balances..... | - | - | - | - | - | - | - | - |
| Bal. Available, EOY..... | 570,000 | - | 575,000 | - | 579,000 | - | 583,000 | - |
| Total, Available..... | 11,826,336 | - | 9,189,013 | - | 9,439,315 | - | 12,856,000 | - |

a/ Undistributed includes, Delivery Expenses, FCIA Initiatives, Interest, and Underwriting Gains or Losses that cannot be distributed by the State. These estimates are based on prior year indemnities.

RISK MANAGEMENT AGENCY
Classification by Objects

(Dollars in thousands)

| | | 2015 | 2016 | 2017 | 2018 |
|----------------|--|-------------------|------------------|------------------|--------------------|
| | | Actual | Actual | Estimate | President's Budget |
| Other Objects: | | | | | |
| 21.0 | Travel and transportation of persons..... | - | - | - | \$2,000 |
| 22.0 | Transportation of things..... | - | - | - | - |
| 23.1 | Rental payments to GSA..... | - | - | - | 3,070 |
| 23.3 | Communications, utilities, and misc. charges..... | - | - | - | 1,000 |
| 25 | Delivery Expenses..... | \$1,413,265 | \$1,460,051 | \$1,352,000 | 1,353,000 |
| 25.1 | Federal Crop Insurance Act Initiatives..... | 59,257 | 39,704 | 47,000 | 47,000 |
| 25.1 | Advisory and assistance services..... | - | - | v | 3,000 |
| 25.2 | Underwriting Gain/Loss..... | 1,104,974 | 1,833,994 | 2,634,000 | 1,065,000 |
| 25.3 | Program Related IT | 825 | 4,225 | 20,000 | - |
| 25.3 | Other goods and services from Federal Sources..... | - | - | - | 3,930 |
| 25.7 | Operation and maintenance of equipment..... | - | - | - | 7,000 |
| 42 | Indemnities..... | 8,678,015 | 5,276,039 | 4,807,315 | 9,788,000 |
| | Total, Other Objects..... | <u>11,256,336</u> | <u>8,614,013</u> | <u>8,860,315</u> | <u>12,273,000</u> |
| 99.9 | Total, new obligations a/..... | <u>11,256,336</u> | <u>8,614,013</u> | <u>8,860,315</u> | <u>12,273,000</u> |

a/ Section 508(b)(5)(D) supports activities of the agency including equipment, rent, IT systems when specific appropriations expire, data, training, travel. This provision excludes salaries and benefits.

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION

STATUS OF PROGRAMS

The primary responsibility of the Risk Management Agency (RMA) is to administer the Federal Crop Insurance Program in accordance with the 1938 Federal Crop Insurance Act (FCIA) (7 U.S.C. 1501 et seq.) as amended. The Risk Management Agency was established in 1996 within the United States Department of Agriculture (USDA) to improve the economic stability of agriculture through a sound system of crop insurance and to provide the means for the research and experience that is helpful in devising and establishing such insurance. RMA's mission is to serve America's agricultural producers through effective, market-based risk management tools and solutions to strengthen the economic stability of agricultural producers and rural communities. RMA directly supports the achievement of the USDA Strategic Goal to "Assist rural communities to create prosperity so they are self-sustaining, repopulating and economically thriving."

The Federal Crop Insurance Corporation (FCIC) is a wholly owned government corporation created on February 16, 1938, to carry out the FCIA (7 U.S.C. 1503). RMA is the USDA agency that implements the initiatives of the FCIC. The FCIA provides for nationwide comprehensive plans of crop insurance. FCIC, through RMA, provides an actuarially sound risk management program that protects against agricultural production losses due to unavoidable causes such as drought, excessive moisture, hail, wind, hurricane, tornado, lightning, and insects. In addition to these causes, revenue insurance programs protect producers against loss of revenue stemming from low prices, low yields, or a combination of both. For livestock, price coverage is available that protects producers against price or margin decreases.

Federal crop insurance is available to producers through Approved Insurance Providers (AIPs) that sell and service policies and also share in the risk. Thus, program delivery is a partnership between the Federal Government and the private insurance industry. RMA continues to pursue initiatives to make higher levels of crop insurance protection more affordable and useful to producers, provide better protection to farmers experiencing multi-year losses, expand risk management education opportunities, stimulate development of new risk management products, and improve program integrity.

Current Activities:

Final Planting Date Efficiencies:

RMA collaborated with Tarleton State and Oregon State universities to significantly reduce the administrative burden of establishing final planting dates for insured crop programs. In the past, this process was labor intensive and required manual reviews of crop and climate data. By implementing improvements and automating this process, RMA achieved a 73.2 percent reduction in the time spent reviewing final planting dates and RMA expects a reduction in excess risk born by the program due to improper planting dates by about \$202 million.

Risk Management Education Program: RMA partners with qualified applicants to provide education, outreach assistance, and related tools and information on crop insurance programs and risk management strategies. FY 2016, RMA improved the Risk Management Education program to ensure valuable education funding went to the most useful projects. The improved program ensures better usage of limited funding, considers past performance of recipients, and institutes better controls. Alaska was added as a Targeted State and \$202,000 designated for underserved projects in Alaska. In September 2016, RMA awarded \$8.9 million in funding 75 cooperative agreements.

Improper Payment Rate Reduction Efforts: The 2016 improper payment rate for the Federal Crop Insurance Program was 2.02 percent, surpassing the OMB target error rate of 2.21 percent. RMA is building upon the success of the last two improper payment reviews and increasing the next review sample by 150 percent yearly, from 250 to 630 policies reviewed. The larger sample size will help identify root causes of improper payments and will enable determination of an improper payment rate for each individual AIP in FY 2017. This will be the first time ever that RMA will determine an improper payment rate, by individual AIP, for a given year.

Select Examples of Recent Progress:

Beginning Farmers and Ranchers Assistance: The 2014 Farm Bill provided extra incentives for beginning farmers and ranchers by eliminating the administrative fee for catastrophic and additional coverage policies and increasing premium subsidies by an additional 10 percent for additional coverage policies that have premium subsidy. In FY 2016 over 15,000 producers took advantage of these incentives. To date, beginning farmers and ranchers have saved over \$15.5 million in premiums and administrative fees on more than 3.8 million acres.

New Crop Insurance Products: FCIC, through RMA, has developed or approved new products in recent years. Many of these products were 2014 Farm Bill initiatives. The following are examples of recent progress on new insurance products.

Whole-Farm Revenue Protection (WFRP): For Crop Year 2016 WFRP expanded to all 50 states – the first insurance product to be offered in every county in the United States. In 2016, the number of WFRP policies earning premium nearly doubled to a total of 2,140 policies. Liability doubled in 2016 to just under \$2.3 billion. WFRP was developed beginning in 2015 with the goal of providing diverse farms and farms selling to wholesale markets, particularly those that grow specialty crops, improved crop insurance options.

Organic Specific Price Elections: For crop years 2017 and 2018 RMA will offer separate organic prices for 76 different crops, representing over 75 percent of the crops for which RMA establishes a price. This is a far increase from 2011 when RMA initially offered organic price elections for just four crops. In 2014, RMA added an option called the contract price addendum. This option is currently available for 73 crop types. With a contract price addendum producers can obtain the organic premium price in their contract even if RMA does not have an organic price election. From 2011 to 2016, RMA increased the number of organic policies sold by 49 percent, and increased the number of organic acres insured by 69 percent. Liability of organic commodities insured increased by 124 percent.

The results of the 2015 USDA Certified Organic Production Survey is available at:
<http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1859>

Actual Production History (APH) Yield Exclusion is available for over 85 percent of the crop insurance program liability. Acreage insured with APH Yield Exclusion increased from 21.75 million acres in crop year 2015 to 31.14 million acres in crop year 2016, a nearly 43 percent increase.

Supplemental Coverage Option (SCO): SCO was first made available for the 2015 crop year for barley, corn, soybeans, cotton, cottonseed, rice, sorghum and wheat. The SCO policy provides coverage for a portion of the producer's deductible from the underlying policy. A subsidy rate of 65 percent applies to the SCO policy. SCO is now available for over 85 percent of the crop insurance program liability – meaning that all major crops are covered along with some specialty crops. RMA will continue to expand options as more data becomes available.

Stacked Income Protection (STAX): STAX was first made available for the 2015 crop year for cotton. 2016 crop year changes allow producers to elect a zero percent coverage range by practice, allow written agreements that affect insurable acreage to apply to STAX, and make STAX coverage available for cottonseed through an optional endorsement. STAX enables upland cotton growers to purchase an area-based insurance policy as a supplement to their individual or area policy, or instead as a stand-alone policy. STAX insures up to the first 20 percent of county losses, after a 10 percent deductible, and has a premium subsidy rate of 80 percent. STAX for Producers of Upland Cotton is available for over 99 percent of cotton acreage nationwide.

Pasture, Rangeland, and Forage (PRF): For the 2016 crop year and beyond, PRF will be available in all lower 48 states.

Summary of Budget and Performance

The Risk Management Agency (RMA) was established in 1996 to administer the Federal crop insurance program, in accordance with the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) as amended. The mission of the agency is serving America’s agricultural producers through effective, market-based risk management tools to strengthen the economic stability of agricultural producers and rural communities. Federal crop insurance is available to producers through private insurance companies that market and service policies and also share in the risk. Thus, the program delivery is a joint venture between the Federal government and the private insurance industry.

The Department will be revising the USDA Strategic Plan later in the spring and expects to release it with the FY 2019 President’s Budget.

Key Performance Measures:

| Annual normalized value of risk protection provided to agricultural producers through the Federal crop insurance program. | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| | Actual | Actual | Actual | Actual | Actual | Target | Target |
| Dollar Value | \$62 | \$66 | \$68 | \$69 | \$74 | \$64 | \$64 |

*Dollars in billions

Selected Past Accomplishments towards the Achievement of the Key Outcome:

- The Whole Farm Policy, which targets highly diversified farms, continues to grow. The value of risk protection for the Whole Farm Policy more than doubled from \$1.1 billion in 2015 to \$2.3 billion in 2016. Part of the growth is due to revisions to the policy based on input received from farmers and ranchers which resulted in making the insurance more valuable to the producers.
- The crop insurance program strives to be responsive to the needs of the market. Several products had significant revisions based on input from farmers, ranchers, and their representatives. These products include coverage for sugarcane, clary sage, and pasture, rangeland, and forage.

Selected Accomplishments Expected at the 2018 Proposed Resource Level:

- As directed by the Federal Crop Insurance Act, the crop insurance program continues to operate on an actuarially sound basis.
- Premium rate revisions of the crop insurance programs will continue in 2018. A significant factor contributing to the actuarial soundness of the crop insurance program is that RMA regularly updates premium rates to reflect accumulated loss experience. For 2018, RMA will be updating the rates for wheat, soybeans, rice and a number of other smaller crops.
- To address market needs, RMA will continue to implement new products and bring them to market.

| Underwriting activities completed by the Regional Offices. | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| | Actual | Actual | Actual | Actual | Actual | Target | Target |
| Number of activities | 29,393 | 16,506 | 18,805 | 23,941 | 24,576 | 25,702 | 28,000 |

Selected Past Accomplishments toward Achievement of the Key Outcome:

In 2016 RMA completed a Lean Six Sigma project review of several underwriting processes, including the written agreement process. The primary focus was to become more efficient and provide more value in handling these requests. Benefits also include decreased decision wait times for producers, consistency in underwriting decisions, reduced resource waste, and reduced resource requirements per decision for both RMA and its stakeholders. Since the process is continual, results are expected to be realized over the next several years to come.

Selected Accomplishments Expected at the 2018 Proposed Resource Level:

Newly developed data mining tools have allowed RMA to take a more active approach in program analysis. Starting with the 2018 crop year, crop program reviews and planting date reviews will be performed on a recurring three year cycle and will coincide with scheduled rate and transitional yield reviews. These activities allow for proactive monitoring of individual crop program performance and ensure that program planting dates are current with changing crop production methods and weather patterns resulting in reduced exposure to adverse risk, improving the overall effectiveness in program delivery.

| | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Producers reached with crop insurance education and risk education training through the Risk Management Education Partnerships Program and the Targeted States Program. | | | | | | | |
| | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Actual | 2017 Target | 2018 Target |
| Number of producers | 81,000 | 48,403 | 112,734 | 89,799 | 114,029 | 49,600 | 50,000 |

Selected Past Accomplishments toward Achievement of the Key Outcome:

- For FY 2016, Cooperative Agreements totaling approximately \$8.7 million in over 45 States were awarded from two Risk Management Education programs: (1) Risk Management Education Partnership Program and (2) Crop Insurance in Targeted States Program.
- RMA programs helped educate farmers on risk management options to help secure local food systems and strengthen rural communities.
- Funded projects incorporated innovative approaches in their delivery of material toward priorities such as Whole-Farm Revenue Protection program, Pasture, Rangeland and Forage (Rainfall Index) program, and Farm Financial Benchmarking.

Selected Accomplishments Expected at the 2018 Proposed Resource Level:

- RMA continues to partner with well qualified entities across multiple states to provide training, information, and outreach activities.
- Continued projects include, but not limited to, crop insurance education and risk management training to minority producers, women, veteran producers, tribal, limited resource producers, and minority producers growing specialty crops.
- Translation of crop insurance information into Spanish and Hmong languages.
- Increased awareness of the crop insurance program to address production, legal, financial, marketing, and human risks.
- Increased emphasis of educational activities in the areas of specialty crops, organic production, and farm benchmarking.

| | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Improper Payment Rate for the Federal crop insurance program. | | | | | | | |
| | 2012 Actual | 2013 Actual | 2014 Actual | 2015 Actual | 2016 Actual | 2017 Target | 2018 Target |
| Percent | 4 | 5 | 6 | 2 | 2 | 5 | 5 |

Selected Past Accomplishment toward Achievement of the Key Outcome:

- Data mining activities continue to show significant cost avoidance savings each year by identifying and spot checking the crop insurance program most anomalous participants based on their history of filing claims.
- RMA developed a Program Review Plan to examine policies on the Anomalous Agent List to determine whether anomalous losses are the result of fraud, waste, or abuse. The Program Review Plan focuses on conducting a detailed APH review of anomalous yields. This review helps to increase the accuracy of APH records and identify agents responsible for improper payments.

Selected Accomplishments Expected at the 2018 Proposed Resource Level:

- Continue to expand the agency's strategic data acquisition and analysis efforts by incorporating additional remote sensing and geospatial analyses to its data warehouse and data mining initiative. This will allow the use of data and analysis tools to be expanded to include underwriting and additional program integrity issues throughout the program.
- RMA is using the improper payment data collected from past IPERIA reviews to perform trend analysis which will be used to determine where RMA should focus its efforts when performing overpayment recapture audits. RMA is also using policy concerns identified during these reviews to develop program vulnerability reports which bring identified program weaknesses to the attention of those that should be aware.