

2008 Explanatory Notes

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EXECUTIVE OPERATIONS

OFFICE OF THE CHIEF ECONOMIST

Purpose Statement

The Office of the Chief Economist (OCE) was created by the Secretary of Agriculture on October 20, 1994, under the authority of the Department of Agriculture Reorganization Act of 1994, Public Law 103-354.

OCE advises the Secretary of Agriculture on the economic implications of Department policies, programs and proposed legislation. OCE serves as the focal point for the Nation's agricultural economic intelligence and projections, risk analysis, global change issues, and cost-benefit analysis related to domestic and international food and agriculture, provides policy direction for the Department's bioenergy and biobased product programs, and is responsible for coordination, review and clearance of all commodity and aggregate agricultural and food-related data used to develop outlook and situation material within the Department.

Activities include: policy and program analysis; regulatory reviews; information dissemination; market surveillance; coordination of assessments of international and domestic agricultural developments; improvement of forecasting techniques; coordination of weather, climate and remote sensing activities; coordination of sustainable development activities; coordination of global change research and issues; energy policy analysis; and analysis of issues and developments affecting agricultural labor.

OCE produces, on a daily, weekly and monthly basis, regularly scheduled information releases to advise the Secretary and the public on developments affecting agricultural markets and the rural economy. The office coordinates interagency development of forecasts and projections by drawing together a variety of experts to assure objective and sound analysis. The office uses memos and briefings to advise the Secretary of the consequences of market developments, program changes, and legislative proposals. The office provides economic analysis of Department policy positions to the Congress and the public. The office participates in the development of reviews, and clears all regulatory impact and risk analyses of Departmental significant, economically significant, and major rules to ensure they are based on objective, appropriate, and sound economic and risk analyses. The office coordinates USDA's global change research program, conducts policy analysis on global change issues, coordinates activities with other Federal agencies, represents USDA on U.S. delegations to international climate change discussions, and facilitates communication and outreach to producers and agricultural interest groups.

OCE Headquarters is located in Washington, D.C. OCE has one field unit located in Stoneville, Mississippi for weather data collection and analysis. As of September 30, 2006, there were 57 Full-time permanent employees and 4 other than Full-time permanent employees. These employees were assigned as follows:

| <u>Location</u> | <u>Full-time Permanent</u> | <u>Other</u> | <u>Total</u> |
|------------------|----------------------------|--------------|--------------|
| Washington, D.C. | 55 | 4 | 59 |
| Field Unit | <u>2</u> | <u>0</u> | <u>2</u> |
| Total | <u>57</u> | <u>4</u> | <u>61</u> |

EXECUTIVE OPERATIONS
OFFICE OF THE CHIEF ECONOMIST

Available Funds and Staff Years

2006 Actual and Estimated 2007 and 2008

| Item | 2006 Actual | | 2007 Estimate | | 2008 Estimate | |
|---|----------------|----------------|------------------|----------------|------------------|----------------|
| | Amount | Staff Years | Amount | Staff Years | Amount | Staff Years |
| Direct Appropriation | \$10,539,000 | 53 | \$10,434,000 | 64 | \$11,347,000 | 64 |
| Rescission..... | -105,390 | | -- | -- | -- | -- |
| Transfer from Commodity Credit Corporation..... | 2,000,000 | | -- | -- | -- | -- |
| Subtotal | 12,433,610 | 53 | 10,434,000 | 64 | 11,347,000 | 64 |
| <u>Obligations under other USDA appropriations:</u> | | | | | | |
| Global Climate Change Program | 964,192 | 3 | 965,000 | 3 | 715,000 | 3 |
| Annual Outlook Forum | 122,431 | -- | 125,000 | -- | 129,000 | -- |
| Energy Policy and New Uses Program | 511,325 | -- | 524,000 | -- | 537,000 | -- |
| Total, Other USDA Appropriations .. | 1,597,948 | 3 | 1,614,000 | 3 | 1,381,000 | 3 |
| Total, Agriculture Appropriations | 14,031,558 | 56 | 12,048,000 | 67 | 12,728,000 | 67 |

EXECUTIVE OPERATIONS

OFFICE OF THE CHIEF ECONOMIST

Permanent Positions By Grade and Staff Year Summary2006 Actual and Estimated 2007 and 2008

| Grade | 2006 | | | 2007 | | | 2008 | | |
|--|------------|-----------|-----------|------------|-----------|-----------|------------|-----------|-----------|
| | Wash DC | Field | Total | Wash DC | Field | Total | Wash DC | Field | Total |
| ES..... | 4 | -- | 4 | 4 | -- | 4 | 4 | -- | 4 |
| GS-15..... | 22 | -- | 22 | 22 | -- | 22 | 22 | -- | 22 |
| GS-14..... | 6 | 1 | 7 | 6 | 1 | 7 | 6 | 1 | 7 |
| GS-13..... | 9 | -- | 9 | 10 | -- | 10 | 10 | -- | 10 |
| GS-12..... | 6 | -- | 6 | 7 | -- | 7 | 7 | -- | 7 |
| GS-11..... | 2 | -- | 2 | 3 | -- | 3 | 3 | -- | 3 |
| GS-10..... | 2 | -- | 2 | 2 | -- | 2 | 2 | -- | 2 |
| GS-9..... | 4 | 1 | 5 | 4 | 1 | 5 | 4 | 1 | 5 |
| GS-7..... | 1 | -- | 1 | 1 | -- | 1 | 1 | -- | 1 |
| GS-6..... | 4 | -- | 4 | 4 | -- | 4 | 4 | -- | 4 |
| GS-5..... | 1 | -- | 1 | 1 | -- | 1 | 1 | -- | 1 |
| GS-2..... | 1 | -- | 1 | 1 | -- | 1 | 1 | -- | 1 |
| Total Permanent Positions..... | 62 | 2 | 64 | 65 | 2 | 67 | 65 | 2 | 67 |
| Unfilled Positions end-of-year..... | -7 | -- | -7 | -- | -- | -- | -- | -- | -- |
| Total, Permanent Full -Time Employment, end- of-year..... | 55 | 2 | 57 | 65 | 2 | 67 | 65 | 2 | 67 |
| Staff Year Estimate | 54 | 2 | 56 | 65 | 2 | 67 | 65 | 2 | 67 |

EXECUTIVE OPERATIONS
OFFICE OF THE CHIEF ECONOMIST

Appropriations Language

For necessary expenses of the Chief Economist, including economic analysis, risk assessment, cost-benefit analysis, energy and new uses, and the functions of the World Agricultural Outlook Board, as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1622g), \$11,347,000.

Lead-Off Tabular Statement
and Summary of Increases and Decreases

Salaries and Expenses

| | |
|--------------------------------|-------------------|
| Estimate, 2007..... | \$10,434,000 |
| Budget Estimate, 2008..... | <u>11,347,000</u> |
| Increase in Appropriation..... | <u>+913,000</u> |

Summary of Increases and Decreases

(On basis of appropriation)

| <u>Item of Change</u> | <u>2007 Estimated</u> | <u>Pay Costs</u> | <u>Other</u> | <u>2008 Estimated</u> |
|--|---------------------------|------------------|--------------|---------------------------|
| Office of the Chief Economist | \$10,434,000 | +\$413,000 | +\$500,000 | \$11,347,000 |

PROJECT STATEMENT
(On basis of appropriation)

| | <u>2006 Actual</u> | | <u>2007 Estimated</u> | | <u>Increase or Decrease</u> | <u>2008 Estimated</u> | |
|--|--------------------|------------------------|-----------------------|------------------------|-------------------------------------|-----------------------|------------------------|
| | <u>Amount</u> | <u>Staff Years</u> | <u>Amount</u> | <u>Staff Years</u> | | <u>Amount</u> | <u>Staff Years</u> |
| Office of the Chief Economist..... | \$12,433,610 | 53 | \$10,434,000 | 64 | +\$913,000 | \$11,347,000 | 64 |
| Unobligated Balance..... | 0 | -- | -- | -- | -- | -- | -- |
| Total Available or Estimate..... | 12,433,610 | 53 | 10,434,000 | 64 | +913,000 | 11,347,000 | 64 |
| Transfer from Commodity Credit Corporation | -2,000,000 | -- | -- | -- | | | |
| Rescission..... | +105,390 | -- | -- | -- | | | |
| Total, Appropriation | 10,539,000 | 53 | 10,434,000 | 64 | | | |

EXECUTIVE OPERATIONS
OFFICE OF THE CHIEF ECONOMIST

Justification of Increases and Decreases

(1) An increase of \$913,000 for the Office of the Chief Economist (OCE) consisting of:

(a) A total increase of \$413,000 of which \$281,000 is for 2008 increased pay costs, and \$132,000 is for 2007 pay costs.

This increase is needed to maintain the current level of staffing to ensure that OCE can carryout its full range of responsibilities and agency goals. OCE is a small office with over 50 percent of its total budget used for salaries and benefits. OCE does not have the flexibility to reduce nonsalary expenses. OCE is already strained to meet the many policy analyses, regulatory reviews and market forecasts and projections that are required, usually on tight, prescribed schedules.

(b) An increase of \$500,000 for the Methane-to Market Initiative.

The Methane to Markets Partnership is designed to promote cost-effective, near-term methane recovery internationally through partnerships with fourteen other countries, including Russia, China, the United Kingdom, Italy, Mexico, and Brazil. Under this initiative, USDA will promote the international adoption of technologies to reduce methane emissions from animal waste systems and demonstrate United States leadership in reducing methane emissions.

The Methane to Markets Partnership is a major new international technology partnership advanced by the Administration to deploy transformational technologies that significantly cut emissions and the greenhouse gas intensity of the global economy while promoting sustained economic growth. Methane is the second most abundant greenhouse gas from human activities, contributing sixteen percent of total global greenhouse gas emissions.

Over the past two centuries, methane concentrations in the atmosphere have more than doubled.

USDA support for the Methane to Markets Partnership will be used to: identify and promote areas of bilateral, multilateral, and private sector collaboration on methane recovery and use; develop emissions estimates and identify the largest relevant emission sources to facilitate project development; identify cost-effective opportunities to recover methane emissions and potential financing mechanisms to encourage investment; improve the legal, regulatory, financial, institutional and other conditions necessary to attract investment in methane recovery and utilization projects; identify and implement collaborative projects aimed at addressing specific challenges to methane recovery, such as raising awareness in key stakeholders, removing barriers to project development and implementation, identifying project opportunities, and demonstrating technologies; and develop and implement a process for evaluating progress and reporting results.

EXECUTIVE OPERATIONS

OFFICE OF THE CHIEF ECONOMIST

Geographic Breakdown of Obligations and Staff Years
2006 Actual and Estimated 2007 and 2008

| | <u>2006</u> | | <u>2007</u> | | <u>2008</u> | |
|---------------------------------|-------------------|------------------------|-------------------|------------------------|-------------------|------------------------|
| | <u>Amount</u> | <u>Staff Years</u> | <u>Amount</u> | <u>Staff Years</u> | <u>Amount</u> | <u>Staff Years</u> |
| District of Columbia..... | \$12,230,524 | 51 | \$10,226,446 | 62 | \$11,133,219 | 62 |
| Stoneville, Mississippi..... | 203,086 | 2 | 207,554 | 2 | 213,781 | 2 |
| Total, Available or Estimate... | <u>12,433,610</u> | <u>53</u> | <u>10,434,000</u> | <u>64</u> | <u>11,347,000</u> | <u>64</u> |

EXECUTIVE OPERATIONS
OFFICE OF THE CHIEF ECONOMIST

Classification By Objects

2006 Actual and Estimated 2007 and 2008

| | <u>2006/a</u> | <u>2007</u> | <u>2008</u> |
|--|---------------|-------------|-------------|
| Personnel Compensation: | | | |
| Washington, D.C | \$5,532,787 | \$5,667,000 | \$5,999,000 |
| Field | 55,887 | 57,000 | 61,000 |
| 11 Total personnel compensation | 5,588,674 | 5,724,000 | 6,060,000 |
| 12 Personnel benefits | 1,241,181 | 1,270,000 | 1,347,000 |
| Total pers. comp. & benefits | 6,929,855 | 6,994,000 | 7,407,000 |
| Other Objects: | | | |
| 21 Travel | 257,229 | 257,000 | 257,000 |
| 22 Transportation of things | 4,633 | 5,000 | 5,000 |
| 23.3 Communications, utilities, and misc. charges | 84,444 | 84,000 | 84,000 |
| 24.0 Printing and reproduction | 65,022 | 65,000 | 65,000 |
| 25.1 Advisory & Assistant Services | 1,056,374 | 1,121,000 | 1,121,000 |
| 25.2 Other services | 322,516 | 29,000 | 29,000 |
| 25.3 Purchases of goods and services from Government Accounts | 80,842 | 81,000 | 81,000 |
| 25.4 Operations and Maintenance of Facilities | 118,713 | 119,000 | 119,000 |
| 25.5 Agreements | 3,217,389 | 1,382,000 | 1,882,000 |
| 26 Supplies and materials | 260,510 | 261,000 | 261,000 |
| 31 Equipment | 35,588 | 36,000 | 36,000 |
| 43 Interest and dividends | 495 | -- | -- |
| Total other objects | 5,503,755 | 3,440,000 | 3,940,000 |
| Total direct obligations | 12,433,610 | 10,434,000 | 11,347,000 |
| Position Data: | | | |
| Average Salary, ES positions | \$159,200 | \$162,540 | \$165,357 |
| Average Salary, GS positions | \$83,296 | \$85,381 | \$86,829 |
| Average Grade, GS positions | 13.3 | 13.3 | 13.3 |

a/ Includes transfer from Commodity Credit Corporation.

EXECUTIVE OPERATIONS

OFFICE OF THE CHIEF ECONOMIST

STATUS OF PROGRAM

The Office of the Chief Economist (OCE) advises the Secretary of Agriculture on the economic implications of Department policies, programs and proposed legislation. It serves as the focal point for: the Nation's agricultural economic intelligence and projections related to agricultural commodity markets; risk analysis and cost-benefit analysis related to international food and agriculture; sustainable development; energy issues related to agriculture; agricultural labor; and global climate change. OCE is responsible for coordination, review and clearance of commodity and aggregate agricultural and food-related data used to develop outlook and situation material within the Department.

Current Activities:

OCE provides policy and program analyses and advice for the Secretary on major issues affecting agriculture and rural America. The Immediate Office (IO) is addressing issues on: trade agreements and disputes; developments in agricultural commodity markets, such as effects of global weather developments and changes in production and trade patterns; economic issues related to plant and animal diseases, including bovine spongiform encephalopathy (BSE) and Avian Influenza (AI); farm programs, including dairy and sugar; crop insurance improvements; sustainable development in agriculture and rural communities; global change and agriculture; conservation programs; and agricultural labor.

The World Agricultural Outlook Board's (WAOB) primary mission is to provide reliable and objective economic forecasts for farmers and other participants in the food and fiber system. Functions include coordinating USDA forecasts of domestic and international agriculture; providing economic analysis related to global commodity markets; monitoring markets and agricultural weather; coordinating weather, climate, and remote sensing activities; and disseminating relevant information.

OCE clears all USDA significant, economically significant and major regulations for their regulatory impact analyses and risk analyses. OCE's Office of Risk Assessment and Cost-Benefit Analysis (ORACBA) reviews and approves statutorily required risk assessments for all major USDA regulations. ORACBA also serves as a focal point for Departmental activities related to risk analysis, including interdepartmental activities; risk communication; education on risk analysis methods; regulatory reviews to ensure cost-effective, less burdensome regulations; and the integration of economic analysis and risk assessment.

OCE's Office of Energy Policy and New Uses (OEPNU) coordinates economic analysis of energy issues across USDA. OEPNU also is responsible for implementation of key 2002 Farm Bill energy title provisions. Section 9002 of the Farm Bill, which provides for preferred procurement of biobased products by Federal agencies (now known as BioPreferred), and Section 9004, a biodiesel education program, are being implemented by OEPNU. OEPNU participated on the executive branch committee monitoring implementation of the Energy Policy Act of 2005 and the office led the USDA implementation committee to ensure USDA commitments were completed on time. OEPNU, along with other USDA agencies and the Department of Energy, also assists in the implementation of Section 9008 of the Farm Bill, which funds biomass research and development.

OCE's Global Change Program Office (GCPO) coordinates global change activities for the Department and represents the Department on issues related to global change to other departments, agencies and the public. GCPO works with USDA agencies to integrate climate change and greenhouse gas reduction considerations into their activities. GCPO coordinates the implementation of new voluntary greenhouse gas reporting guidelines which allow farmers and landowners to track and report greenhouse gas

reductions. GCPO administers the Methane-to-Markets Initiative for the Department, expanding the use of anaerobic digester technologies internationally. GCPO facilitates USDA participation in the U.S. Climate Change Science Program (CCSP) and U.S. Climate Change Technology Program (CCTP).

Selected Examples of Recent Progress:

World Trade Organization (WTO). IO staff continued to play a key role in the WTO multilateral trade negotiations (the Doha Development Round). The IO provided economic analysis, position papers, and other staff support for the negotiations, especially in the area of domestic support and export competition. IO staff participated directly in numerous negotiating sessions in Geneva and other locations. The IO continued to play a key role in support of the U.S. Trade Representative's (USTR) office in the WTO cotton case. The IO also worked closely with USTR and coordinated USDA's response to trade challenges by Canada to U.S. corn programs and by Peru to U.S. cotton programs.

Crop Insurance. The Chief Economist has served as Chairman of the Board of Directors of the Federal Crop Insurance Cooperation since January 2001 and presided over six public meetings of the Board during FY 2006. The Board also conducted a week-long retreat during FY 2006 to develop plans and priorities for the future. Major Board accomplishments during the year included the approval for sale of the first-ever pilot program on 160 million acres of pasture, range, and forage derivative products; a new Florida citrus tree product to deal with the changed citrus canker problem in Florida; approval of a series of changes in the Adjusted Gross Revenue insurance products to simplify and make them more effective; and approval (after 2 years of negotiation) of the first ever price insurance product for sheep. Several pilot programs were extended, improved or terminated. The IO continues to provide analysis to the Risk Management Agency on a variety of topics including reinsurance and premium rates and methods for forecasting indemnities.

Farm Bill Theme Papers. During FY 2006, the Chief Economist led an interagency team responsible for preparing a series of theme papers to help educate the public on important issues in preparation for the 2007 Farm Bill. These theme papers, published during the summer of 2006, provided information and analysis on five topics—risk management, conservation and environment, rural development, energy and agriculture, and strengthening the foundation for future growth in U.S. agriculture.

Domestic Farm Policy. In addition to the theme papers, the IO continued to provide assistance and analysis to Departmental agencies implementing commodity, conservation and other programs by reviewing and providing analysis of proposed program regulations and participating in interagency working groups; and helping to ensure effective and efficient program development. For example, OCE participated in the development and analysis of the FY 2007 President's budget proposals for farm programs, reviewed options for extending expiring Conservation Reserve Program contracts, assisted in establishing domestic marketing allotments and import quotas for sugar, and assisted in the implementation of an improved method for forecasting outlay projections for farm commodity programs. The Chief Economist served on and provided biweekly briefing materials for the Department's Drought Task Force, which coordinated the Department's response to the ongoing drought in the western States.

Trade Adjustment Assistance for Farmers. The IO continued to play a significant role in implementing the Trade Adjustment Assistance for Farmers program, as required in the 2002 Trade Act, by serving on an interagency USDA committee that approves petitions to certify their eligibility.

Agricultural Labor Activities. OCE staff participated in an interagency process chaired by the White House to discuss the President's Comprehensive Immigration Reform Program. Staff provided analysis and information on issues relevant to the role of labor in agricultural production. Analysis and information focused on the unique characteristics of agricultural production including the diversity in the demand for labor across agriculture, the seasonal demand for labor, and the role of temporary workers in the agricultural sector.

Analytical Assistance to Congress. The Chief Economist was a witness at six Congressional hearings during FY 2006 on the following issues: twice on the USDA budget, BSE, the state of the farm economy, crop insurance, and renewable energy. The Deputy Chief Economist testified before Congress on dairy policy and programs. The Chief Economist also led or participated in 7 Congressional briefings on energy and hurricane issues. OCE staff conducted numerous additional briefings and analyses for the Congress including: Farm Bill issues, market situation and outlook, biobased products, implications of WTO obligations for domestic farm programs and policies, the WTO cotton dispute, and disaster assistance.

Global Climate Change. The GCPO chairs the Department's Global Change Task Force and coordinates the Department's \$63 million global change research program. GCPO plays an important role in furthering the Department's mission of protecting and enhancing the Nation's natural resources. In FY 2006, GCPO initiated a two-year project to prepare a major scientific assessment of the effects of climate change on agriculture, biodiversity, land, and water resources for the CCSP.

New Greenhouse Gas Reporting Guidelines. In FY 2006, GCPO led USDA's completion of new greenhouse gas reporting guidelines for the private sector. The new guidelines, adopted by the Department of Energy, define a new class of agricultural and forest commodity – a greenhouse gas reduction credit. This effort represents the first time that a consistent metric for an environmental good has been developed for the agricultural and forestry sectors. The value of this achievement is only beginning to be realized and will open the door to new markets that reward farmers and landowners for environmental performance, enable industry to meet environmental obligations at lower costs, and strengthen rural economies while protecting the environment.

Methane-to-Markets. GCPO led U.S. Government participation in the newly formed Agriculture Sub-committee of the Methane-to-Markets Partnership, positioning the Department to implement cooperative actions with developing countries under the Partnership in FY 2007.

Sustainable Development Activities. The Director of Sustainable Development chairs the USDA Council on Sustainable Development, which works to integrate the concepts of sustainable development into USDA policy and programs. In FY 2006, sustainable development activities included coordination of representation and interagency input for the U.S. submission of case studies, partnerships, and information on energy for the 14th session of the United Nations Commission Sustainable Development (CSD). In addition, preparations were initiated for the 16th and 17th sessions of the CSD, which will focus on sustainable agriculture and rural development. USDA participated in the establishment of inter-departmental management of a sustainable development partnership Web site. Collaborations with Australia, the World Agroforestry Center, local communities in the United States and others are fostering a Landcare approach to increase community-based conservation practices, research, and science in the United States and around the world. In addition, a partnership was established between USDA and the Sustainable Development Institute of the College of the Menominee Nation in Wisconsin to sponsor "Sharing Indigenous Wisdom: An International Dialogue on Sustainable Development" to be held in June 2007 to investigate how traditional indigenous knowledge can be best utilized as models and methods of sustainable practices.

Supply and Demand Monitoring and Reporting. In FY 2006, WAOB continued to publish the monthly *World Agricultural Supply and Demand Estimates (WASDE)* report, which reports the official world and U.S. supply and utilization estimates and forecasts for grains, soybeans, and cotton; and official U.S. estimates and forecasts for sugar, red meat, poultry, eggs, and milk. All monthly *WASDE* reports were released as scheduled and without incident. Interagency committees chaired by WAOB staff cleared all USDA economic outlook reports released during the year. The *WASDE* report is among USDA's most widely viewed reports. It is accessed, on average, 2,000 times per week. In addition, the USDA-Cornell Web site has 5,400 *WASDE* report subscribers and is accessed, on average 1,500 times per week. End-users reported no errors and leveled no significant criticisms at USDA forecasts. Monthly post-lockup briefings were presented to the Secretary and radio interviews were recorded by WAOB for both USDA

and the Berns Bureau, a nationally syndicated network. WAOB produced daily internal market highlight reports and a weekly oral briefing for senior staff regarding current agricultural developments.

WASDE Reporting Changes. WAOB analysts reviewed U.S. rice export data and determined that Census trade data was overstating exports. WAOB staff identified the source of the error and worked with Census to revise the official trade data. WAOB researched and adopted revised Chinese consumption estimates. Although these revisions were unexpected by the trade, effective presentation in the *WASDE* report resulted in their acceptance by the trade with no market disruptions. Results were published with the July *WASDE* report. USDA/WAOB monthly estimates of corn use for ethanol production led the industry throughout the year. WAOB informed the National Agricultural Statistics Service (NASS) of previously unidentified ethanol data sources and met with the Energy Information Agency (EIA) to underscore the importance of ethanol production data to agriculture and to promote data consistency between USDA and EIA.

Baseline Projections. In February 2006, WAOB oversaw publication of interagency 10-year baseline economic projections which provided timely insight and strategic planning information for the President's budget, agricultural producers, other agribusinesses and policy officials.

Briefings and Media Events. WAOB participated in the annual NASS Data Users Conference in Chicago, which attracted 85 private sector participants. WAOB also performed numerous briefings and media events explaining USDA's commodity situation and outlook program. WAOB explained USDA's commodity analysis program to delegations from Argentina, Australia (Nuffield Scholars), Brazil, China, Kenya, Madagascar, and Ukraine. WAOB was invited by CONAB (Brazil's National Supply Company, which is part of Brazil's Ministry of Agriculture), to meet with Brazilian government officials in Brasilia to discuss USDA supply and demand analytical procedures. Brazil is the world's second largest producer and exporter of soybeans behind the United States. In a 2-day meeting, WAOB staff described in detail the methodology used by USDA to estimate the size and disposition of Brazil's soybean crop. As intended, this interchange laid the groundwork for future exchanges by establishing an excellent working relationship with CONAB and various Brazilian government officials.

Other briefings included a presentation to an Argentine delegation in Washington, followed by the WAOB Chairperson being interviewed by Argentine TV regarding USDA's market intelligence program. The Chairperson also addressed the Informa Economics annual Washington meeting regarding the current situation and outlook for U.S. agriculture. WAOB delivered weekly weather and economic briefings to the Under Secretary for Farm and Foreign Agricultural Services and other senior staff.

To improve communications between the Foreign Agricultural Service (FAS) posts and Washington, WAOB hosted several international teleconferences which linked Attaches, Foreign Service Nationals, Economic Research Service (ERS) and FAS staff. Conferences focused on: the implications of foot and mouth disease (with participation from Moscow, Brasilia, and Brussels); resuming beef exports to Japan (with participation from Tokyo, Canberra, Ottawa, and Wellington); and, the impact of AI in Europe (with participation from Brussels and Moscow). Additional briefings are discussed in the next section on weather analysis.

Weather Analysis. The Joint Agricultural Weather Facility (JAWF), which includes staff from WAOB and the National Weather Service, published the *Weekly Weather and Crop Bulletin*, issued daily national agricultural summaries, and contributed to the weekly *U.S. Drought Monitor*, which is produced jointly by USDA, the National Weather Service, and the Drought Mitigation Center. All weekly *Weather and Crop Bulletins* were released on time and without incident. "Daily Highlights" and the "Weekly Weather and Economics Briefing" were delivered as scheduled to the Secretary, Under Secretary for Farm and Foreign Agricultural Services, and other senior USDA staff. WAOB also prepared briefing materials for the Chief Economist in support of USDA's drought task force.

JAWF prepared numerous early warnings and assessments of significant weather events that affected agriculture as well as informational memoranda for the Chief Economist and other senior USDA staff. Utilization of WAOB/JAWF Internet products including the *Weekly Weather and Crop Bulletin*, the Morning Weather Summary, and WAOB's Climatic Profiles publication continued to grow. WAOB conducted bi-monthly meetings of the USDA Remote Sensing Coordination Committee and coordinated USDA's contribution to the National Aeronautics and Space Administration's annual *Aeronautics and Space Report of the President*.

WAOB continued to actively participate in and support the World Meteorological Organization (WMO), which promotes agro-meteorological applications for sustainable food production activities. USDA's Chief Meteorologist, a WAOB staff member, completed his term as president of WMO's Commission for Agricultural Meteorology.

USDA Outlook Forum. The Chief Economist chaired the Steering Committee and the WAOB Chairperson chaired the Program Committee for USDA's 2006 Agricultural Outlook Forum. OCE/WAOB planned and coordinated the 2006 Agricultural Outlook Forum, "Prospering in Rural America." Registration totaled a record 1,772, including 74 members of the press and 8 camera crews. Participant evaluation of this annual event continued to express strong satisfaction with the value of USDA's 82nd annual Agricultural Outlook Forum. Representative comments included: "Great wealth of information." "Exceptional job this year. Well done." "Topics are very relevant to today's challenges." "Program was excellent." "Smart speakers and superb organization." WAOB posted Forum speeches on the Web on the day of presentation and provided Forum attendees with a CD including all Forum presentations. The Forum Web site was hit over 3,000 times during and immediately following the event. Reduced printing and mailing costs resulted in a cost savings of \$22,000 compared to FY 2005.

Quality Assurance. WAOB organized the 5th Annual Interagency Commodity Estimates Committee Review (ICEC) Forum which was attended by 125 USDA analysts and guest speakers from the private sector and academia. This annual interagency effort strives to improve the quality of USDA supply, demand, and economic forecasts and assure that participating agencies maintain adequate staff resources. Each WASDE report includes reliability statistics that provide a 10-year record on the historical accuracy for that month's forecasts. The ICEC Forum provides employee feedback, identifies program weaknesses, and helps set future program priorities. For example, in February 2006, USDA incorporated stochastic estimates into the President's Budget Baseline for the first time.

Cyber Security and Continuity of Operations (COOP). WAOB economists conducted an onsite test of hardware, software, and communications capabilities at OCE's COOP facility which is co-located with NASS in Fairfax, Virginia. WAOB installed software to mirror *WASDE* backup files to the Fairfax site and implemented monthly procedures to refresh all COOP laptops with Microsoft, McAfee, and other application updates. To ensure access to meteorological information at the Fairfax site, WAOB installed new software called FX-NET on COOP laptop computers. This is a cost-effective method for accessing critical weather information in an emergency. Six FX-NET licenses were provided by the Forest Service to WAOB under terms of an existing MOU. WAOB staff prepared the OCE Disaster Recovery and COOP Plan and prepared the OCE Human Pandemic Plan. WAOB collaborated with NASS to provide for a Level 4 COOP site by collocating with NASS in North Carolina. And WAOB worked with NASS to install and test wireless detection devices in the WAOB lockup area. These devices are used to detect the presence of wireless devices in the lockup area during production of the *WASDE* report.

Internet Access to Economic Forecasts and Climatic Data. WAOB continued its longstanding partnership with ERS, NASS, and Cornell University to provide a major public Web site for USDA economic forecasts and databases. Use of this Web site continues to grow. The *WASDE* report is one of the most popular free e-mail subscriptions offered by the Web site.

New Information Technology (IT) Project and Reporting to the Office of the Chief Information Officer (OCIO) and the Office of Management and Budget (OMB). WAOB initiated an IT project that will

develop a modern, reliable, and efficient integrated database and report writer system for preparing and publishing the monthly *WASDE* Report. WAOB developed an incrementally-funded work plan that reduces overhead costs by eliminating the requirement to re-solicit bids annually. WAOB responded to numerous requests by OCIO for updated OCE IT actual and projected budget figures and updated the OCIO Worklenz system with OCE IT budget figures throughout the fiscal year. WAOB also updated the Management Information Tracking System (MITS) in support of the quarterly OCIO IT security and E-Gov scorecard initiatives. WAOB conducted annual required analyses of OCE IT systems and updated the Enterprise Architecture Repository (EAR) system to map OCE IT investments to OMB, Departmental, and agency strategic goals and objectives and provide a tool to improve management oversight of IT spending prioritization. To meet a new OMB requirement, WAOB developed a spreadsheet-based system to track OCE staff associated with all of the OCE IT investments and projects. WAOB also responded to frequent OCIO requests for reports and documentation regarding OCE IT policies, procedures, plans, and IT infrastructure.

Analyses Reviewed. During FY 2006, OCE reviewed or coordinated interagency reviews of risk assessments and cost-benefit analyses that supported significant USDA regulatory actions. These reviews included work on BSE, imported citrus, nutritional labeling of meats, food and nutrition assistance programs, boll weevil eradication, and sudden oak death. OCE staff review regulatory analyses for USDA commodity programs, conservation programs, rural housing and rural utilities programs, and the Forest Service. These regulatory reviews supported implementation of new programs and delivery of existing programs across all USDA mission areas. OCE reviewed analyses for 56 USDA proposed and final rules during FY 2006. In addition, OCE reviewed 29 USDA legislative reports and numerous Departmental correspondence.

Risk Analysis Leadership and Consultation. ORACBA partnered with six Federal agencies to fund a review by the National Academy of Sciences of a proposed OMB bulletin on risk assessment in the Federal government. ORACBA briefed the National Academy committee on risk assessment practices and challenges in USDA. ORACBA has undertaken cooperative research with the University of Maryland, the Food and Agricultural Policy Research Institute at the University of Missouri, and Michigan State University to develop risk assessment methods and apply risk assessment to critical issues of soil and water quality, and food safety. ORACBA provided guidance to USDA agencies developing risk assessments related to new natural resource conservation programs, imported fruits and vegetables, nutrition, animal diseases including BSE and foot and mouth disease, and foodborne pathogens. ORACBA provided extensive assistance to the Office of the General Counsel to respond to litigation that temporarily halted resumption of imports of beef and cattle from Canada and interrupted imports of citrus from Spain. ORACBA actively participates in the 18-agency Risk Assessment Consortium (RAC) to enhance communication and coordination among the agencies with food safety responsibilities and promote the conduct of scientific research that will facilitate risk assessments. Such research assists USDA regulatory agencies in fulfilling their specific food-safety risk management mandates. In FY 2006, ORACBA led a RAC committee that organized a workshop on nutritional risk assessment at the National Academies of Sciences. ORACBA joined with other USDA agencies and non-government organizations to support research on risk ranking methods for foodborne pathogens.

An ORACBA scientist serves on the Food and Drug Administration's (FDA) Transmissible Spongiform Encephalopathies Advisory Committee (TSEAC), with a term of July 2006 through January 2010. An ORACBA scientist was a consultant to the Joint Food and Agricultural Organization/World Health Organization Expert Meeting on Risk Assessment of Enterohaemorrhagic *E. coli* (EHEC) in Meat and Meat Products. ORACBA reviewed draft International Plant Pest Convention guidelines, recommended changes, and contributed to formulating the U.S. position on the guidelines. ORACBA provided to the USDA representative to the World Animal Health Organization valuable analyses of draft frameworks to estimate animal disease prevalence and characterize disease risks. ORACBA introduced the use of

ecological risk assessment to assist the Agricultural Research Service with a major refocusing of their watershed research programs and assessment of conservation program effects. ORACBA staff provided substantive consultations to the Environmental Protection Agency on numerous science policy documents, on cumulative and aggregate risk assessment methods under the Food Quality Protection Act, and fumigant emission models. In the area of homeland security, ORACBA applied risk analysis to challenges of protecting the food supply and critical infrastructure, development of a National Plant Disease Recovery System, and building capacity to respond to animal disease outbreaks.

Risk Communication and Outreach. ORACBA continues to improve risk communication among USDA analysts concerning developments in risk assessment and economic analysis. ORACBA provides risk assessment studies to USDA's National Agricultural Library collection making these risk assessments available to analysts worldwide. ORACBA conducted numerous seminars, workshops, and consultations on risk analysis for government groups and land-grant universities. ORACBA staff presented risk assessment results and regulatory analyses at professional meetings for government, industry, and university scientists and economists and published articles on food safety and invasive species in peer reviewed scholarly journals. The products of ORACBA's cooperative agreements and staff papers are posted on the USDA's Web site. ORACBA disseminates an electronic newsletter informing over 700 subscribers of developments in risk assessment and training opportunities.

Risk Assessment Education and Training. An ORACBA scientist served on a U.S. team that worked jointly with Russian counterparts to train the Russian government and industry scientists in food safety and risk assessment. ORACBA scientists presented research on ecological and dietary risk assessment to government and industry risk assessors attending the Society for Risk Analysis. ORACBA worked closely with the Joint Institute for Food Safety, the University of Maryland, and the FDA to promote both basic and advanced courses in risk assessment methods. ORACBA staff delivered lectures on ecological risk assessment and taught courses on environmental policy and risk assessment at local universities. ORACBA's outreach efforts informed the risk assessment community of training and professional development opportunities. ORACBA continued to support the American Association for the Advancement of Science Risk Policy Fellowship program which brings talented scientists to USDA and enhances their risk assessment skills. ORACBA's Risk Forums featured nationally prominent speakers on risk assessment in the fields of microbial and chemical risks to food safety, invasive species risks, animal disease risks and resource risks.

Federal Biobased Products Preferred Procurement Program (FB4P). A new brand name for the program, "BioPreferred", was announced in 2006. The BioPreferred Program was authorized in the Section 9002 of the Farm Security and Rural Investment Act of 2002. Six groupings of biobased products were designated for preferred procurement by Federal agencies by a final rule issued in March 2006. Between August and early October 2006, three more proposed rules designating a total of 30 groupings of biobased products for preferred procurement were published in the Federal Register. A proposed rule for the USDA Certified Biobased Product label is under development.

USDA market research identified 9,000 biobased products currently in the market place, produced by more than 1,900 manufacturers. Additionally, USDA identified over 170 groupings of products that will be designated for preferred procurement by rule making.

Biodiesel Fuel Education Program. After its third year in operation, the Biodiesel Fuel Education Program is recognized as the premier biodiesel education program in the country. OEPNU developed a progress reporting matrix to help track activities, outcomes, and coordination efforts. A biodiesel education folder for public distribution has been developed. OEPNU leads a USDA interagency panel twice a year to review progress on program goals, including the development of an education outreach system that delivers consistent information about the benefits of biodiesel.

Energy and Bioenergy Analysis. Recent concerns about energy security and high oil prices have focused greater attention on agriculture and energy issues. Examples of recent energy and bioenergy analytical work conducted by OEPNU staff and cooperators include:

- Helped to organize a major joint USDA-Department of Energy conference titled “Advancing Renewable Energy: An American Rural Renaissance.”
- Helped organize two conferences in the “Energy and Agriculture” series: “Energy from Agriculture: New Technologies, Innovative Programs & Success Stories” (December 2005) and “Energy in Agriculture: Managing the Risk” (June 2006), to bring together industry experts, economists, government leaders, and others to gather baseline information and identify agriculture’s role in solving our nation’s energy problems.
- Completed a study with Louisiana State University to evaluate sugar-based ethanol production to support the Secretary’s commitment to Congress to conduct such a study.
- Continued a study with Iowa State University and Informa Economics to analyze the long-run market potential for biobased products as required by Congress in the Energy Policy Act of 2005.
- Reviewed and provided analysis on the Renewable Fuel Standard for EPA.
- Provided many staff analysis on biodiesel, sugar and corn ethanol, fertilizer issues, bioproducts, energy legislation, wind, and energy use for the Office of the Secretary and OCE.
- Participated in multiple workshops sponsored by Federal agencies as well as in conferences sponsored by academic institutions and industry organizations that addressed energy issues, such as food versus fuel, feedstocks, infrastructure, transportation, investment, and rural wealth.
- Started new work with the University of Idaho to update the net energy balance for biodiesel.
- Provided a study of ethanol’s ability to reduce motor fuel price volatility at the American Agricultural Economics Association annual meetings.

National Energy Policy Development (NEPD) and the Energy Policy Act of 2005. OEPNU serves as the USDA staff level coordinator for the NEPD and provided information to the executive branch on USDA’s implementation of the National Energy Policy and on USDA’s energy education efforts to mark the 4th anniversary of the release of the National Energy Policy in 2001. OEPNU also coordinated the USDA response to the Government Accountability Office on USDA’s effort to implement the NEPD. OEPNU coordinated the USDA response to the House and Senate versions of the Energy Policy Act of 2005. OEPNU now co-chairs the USDA Energy Policy Act of 2005 implementation task force and has led development of a tracking system for monitoring USDA implementation.

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OFFICE OF THE CHIEF ECONOMIST

Summary of Budget and Performance
Statement of Goals and Objectives

OCE has four strategic goals and eleven strategic objectives that contribute to the strategic goals of the Department.

| USDA Strategic Goal | Agency Strategic Goal | Agency Objectives | Programs that Contribute | Key Outcome |
|---|---|---|---|---|
| OCE's goals support all goals of the Department | Agency Goal 1: Assure the Secretary of Agriculture receives timely, independent and objective economic analyses on critical Departmental program and policy issues. | Objective 1.1: Provide economic intelligence to enable understanding of markets and economic effects of alternative policies | Economic and policy analyses Sustainable development activities Agricultural labor issues Federal Crop Insurance | Reports and briefings Coordinate USDA assessments of agricultural labor and sustainable development issues Chair the Board of Directors of the Federal Crop Insurance Corporation |
| OCE's goals support all goals of the Department | Agency Goal 2: Improve the U.S. agricultural economy by facilitating efficient price discovery in agricultural markets by coordinating the release of comprehensive, consistent, reliable, timely and objective USDA estimates, forecasts, and projections of commodity supply, demand, and prices. | Objective 2.1: Meet information needs of customers and clients for global commodity information Objective 2.2: Assess impact of weather and natural phenomena on agriculture Objective 2.3: Enhance the speed, security and accessibility of market information | Monthly World Agriculture Supply and Demand (WASDE) Report USDA Annual Outlook Forum Weekly Weather and Crop Bulletins National Weather Service data Weather/crop impact assessments Safeguarding market sensitive data Develop and manage commodity market information systems | Issue the monthly WASDE report Conduct Annual Outlook Forum Issue Weekly Weather and Crop Bulletins Maintain OCE/WAOB access to NOAA/NCEPC data and products for weather/crop impact assessments Review USDA economic outlook publications prior to release |

| USDA Strategic Goal | Agency Strategic Goal | Agency Objectives | Programs that Contribute | Key Outcome |
|---|--|--|---|--|
| OCE's goals support all goals of the Department | Agency Goal 3: Ensure regulations affecting the public are based on sound, objective and appropriate risk assessments and economic analyses. | <u>Objective 3.1:</u> Review regulatory impact analyses and risk assessments for Departmental regulations <u>Objective 3.2:</u> Provide support to conduct risk assessments and cost-benefit analyses | Review regulatory impact analyses Review risk assessments and economic analyses Conduct seminars and training Collaborate on risk related research | Number of regulatory analyses reviewed Number of assessments and economic analyses reviewed Participants rate ORACBA risk analysis training courses as highly useful Risk-related research and methods development are undertaken by USDA staff |
| OCE's goals support all goals of the Department | Agency Goal 4: Enhance biobased product and energy opportunities for agricultural producers and rural areas. | <u>Objective 4.1:</u> Promote increased use of biobased products by Federal agencies <u>Objective 4.2:</u> Increase the use of biodiesel through educational efforts <u>Objective 4.3:</u> Analyze alternative energy policies and programs | Biobased Procurement Preference Program Biodiesel education program Economic analyses | Increase purchases of biobased products by Federal agencies Competitive grants to support biodiesel education among users and the public Reports and briefings |
| OCE's goals support all goals of the Department | Agency Goal 5: Engage partner countries and members of the private sector Project network under the Methane-to-Market (M2M) Initiative to pursue investments in anaerobic digester technologies. | <u>Objective 5.1:</u> Increase the number of M2M Agriculture Project Network members <u>Objective 5.2:</u> Increase the number of Projects with key developing country partners | M2M Partnership Grant funding and cooperative agreements in developing countries Workshops and training sessions | Increase the number of M2M Agriculture Project Network members Increase bilateral, multilateral, and private sector collaboration Increase number of projects with key developing country partners |

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Strategic Objective and Funding Mix

STRATEGIC OBJECTIVE 1.1: Provide economic intelligence to enable understanding of markets and economic effects of alternative policies

STRATEGIC OBJECTIVES 2.1, 2.2 and 2.3: Meet information needs of customers and clients for global commodity information; Assess impact of weather and natural phenomena on agriculture; and Enhance the speed, security and accessibility of market information

STRATEGIC OBJECTIVES 3.1, and 3.2: Review regulatory impact analyses and risk assessments for Departmental regulations; and Provide support to conduct risk assessments and cost-benefit analyses

STRATEGIC OBJECTIVES 4.1, 4.2, and 4.3: Promote increase use of biobased products by Federal agencies; Increase the use of biodiesel through educational efforts; and Analyze alternative energy policies and programs

STRATEGIC OBJECTIVES 5.1 and 5.2: Increase the number of M2M Agriculture Project Network members; and Increase the number of Projects with key developing country partners

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Strategic Objective and Funding Matrix:

(On basis of appropriation)

| | <u>2006 Actual</u> | | <u>2007 Estimate</u> | | | <u>2008 Estimate</u> | |
|--|--------------------|--------------------|----------------------|--------------------|-----------------------------|----------------------|--------------------|
| | <u>Amount</u> | <u>Staff Years</u> | <u>Amount</u> | <u>Staff Years</u> | <u>Increase or Decrease</u> | <u>Amount</u> | <u>Staff Years</u> |
| <u>Strategic Objective 1</u> | | | | | | | |
| Provide timely, independent and objective economic advice | \$2,350,278 | 11 | \$2,350,278 | 11 | +\$93,029 | \$2,443,307 | 11 |
| <u>Strategic Objective 2</u> | | | | | | | |
| Facilitate efficient price discovery in agricultural markets.... | 4,414,804 | 24 | 4,415,194 | 35 | +174,763 | 4,589,957 | 35 |
| <u>Strategic Objective 3</u> | | | | | | | |
| Provide objective and appropriate risk assessments and economic analyses..... | 1,127,303 | 10 | 1,127,303 | 10 | +44,621 | 1,171,924 | 10 |
| <u>Strategic Objective 4</u> | | | | | | | |
| Enhance biobased product and energy opportunities for agricultural producers and rural areas | 4,541,225 | 8 | 2,541,225 | 8 | +100,587 | 2,641,812 | 7 |
| <u>Strategic Objective 5</u> | | | | | | | |
| Engage partner countries and members of the private sector Project network under the Methane-to-Market (M2M) Initiative to pursue investments in anaerobic disaster technologies | -- | -- | -- | -- | +500,000 | 500,000 | 1 |
| Total, Available..... | 12,433,610 | 53 | 10,434,000 | 64 | +913,000 | 11,347,000 | 64 |

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Selected Accomplishments Expected at the FY 2008 Proposed Resource Level:

- Continue providing economic intelligence and advice
- Continue assessing impact of weather and natural phenomena on agriculture
- Continue providing market sensitive data to end users
- Continue reviewing regulatory impact analyses and economically significant regulations
- Continue providing support to conduct risk assessments and cost-benefit analyses
- Implement guidelines for the preferred procurement program for mandatory procurement of biobased products by Federal agencies and designate items for procurement labeling program
- Engage partner countries and members of the private sector Project network under the Methane-to-Market (M2M) Initiative to pursue investments in anaerobic digester technologies

Means and Strategies:

- Continue to support development of the Web-based information system for the use of manufacturers and vendors of biobased products and Federal agencies and the testing of biobased products
- Support outreach to manufacturers and vendors to identify products and to obtain information needed to support testing of biobased products to develop information necessary for designation by rule of generic groupings of products for preferred procurement under the program
- Continue the cooperative agreement with the Center for Industrial Research and Service at Iowa State University for the work being conducted to obtain the information to develop the designation of generic groupings of products
- Fund grants or cooperative agreements in developing countries for projects solicited from M2M member countries and focus on opportunities to improve the legal, regulatory, financial, institutional and other conditions necessary to attract investment in anaerobic digester projects

Summary of Budget and Performance
Key Performance Outcomes and Measures
(Dollars in Thousands)

Goal 1: Assure the Secretary of Agriculture receives timely, independent and objective economic analyses on critical Departmental program and policy issues.

Key Outcomes: Reports and Briefings; Coordinate USDA assessments of agricultural labor and sustainable development issues; and Chair the Board of Directors of the Federal Crop Insurance Corporation.

Goal 2: Improve the U.S. agricultural economy by facilitating efficient price discovery in agricultural markets by coordinating the release of comprehensive, consistent, reliable, timely, and objective USDA estimates, forecasts, and projections of commodity supply, demand, and prices.

Key Outcomes: Issue the monthly *World Agriculture Supply and Demand Estimates* (WASDE) report; Conduct Annual Agricultural Outlook Forum; Issue the *Weekly Weather and Crop Bulletin*; and Review situation and outlook assessments of Department agencies prior to release.

Goal 3: Ensure regulations affecting the public are based on sound, objective, and appropriate risk assessments and economic analyses.

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Key Outcomes: Number of regulatory analyses reviewed; number of risk assessments and economic analyses reviewed; participants rate ORACBA risk analysis training courses as highly useful; and risk-related research and methods development are undertaken by USDA and collaborative efforts are funded by OCE and other USDA agencies.

Goal 4: Enhance biobased product and energy opportunities for agricultural producers and rural areas.

Key Outcomes: Increase the purchases of biobased products by Federal agencies, resulting in increased demand for farm commodities and increased investment in processing and manufacturing activity based in rural America; and establish a better knowledge base that would allow our Nation and U.S. agriculture to better position itself to deal with energy disruptions at critical disruption points in the food system.

Key Performance Target: Regulations were drafted to create the structure for the preferred procurement program clearance process with USDA. Developed an electronic information system consisting of a Web site with posted information on eligible biobased products. A group of manufacturers of biobased products have been identified and have agreed to cooperate in the program by testing their products to gather the information required by the statute prior to designating "items," generic groups of products for preferred procurement.

Goal 5: Engage partner countries and members of the private sector Project network under the Methane-to-Market (M2M) Initiative to pursue investments in anaerobic digester technologies.

Key Outcomes: Stabilize global emissions of methane from animal waste management systems at current levels for the next decade. Under this initiative, USDA would provide leadership to the M2M agricultural subcommittee to enable it to fulfill this goal. Specific performance elements for the USDA component of the M2M Initiative include: the number of private sector members in the Agriculture Project Network and the number of successful partnership activities with developing country M2M members.

Key Performance Measures:

(Dollars in Thousands)

| <u>Performance Measure #1</u> | <u>2003 Actual</u> | <u>2004 Actual</u> | <u>2005 Actual</u> | <u>2006 Actual</u> | <u>2007 Target</u> | <u>2008 Target</u> |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Policy and Program Analysis and Advice for the Secretary of Agriculture | N/A | N/A | N/A | N/A | N/A | N/A |
| Dollars | \$1,532 | \$1,558 | \$1,882 | \$2,350 | \$2,350 | \$2,443 |

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(Dollars in Thousands)

| <u>Performance Measure #2</u> | <u>2003 Actual</u> | <u>2004 Actual</u> | <u>2005 Actual</u> | <u>2006 Actual</u> | <u>2007 Target</u> | <u>2008 Target</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| World Agricultural Supply and Demand Estimate (WASDE) Reports Issued | 12 | 12 | 12 | 12 | 12 | 12 |
| Dollars | \$3,149 | \$3,203 | \$3,755 | \$3,311 | \$3,311 | \$3,442 |
| Weekly Weather and Crop Bulletins Issued | 52 | 52 | 52 | 52 | 52 | 52 |
| Dollars | \$1,021 | \$1,039 | \$1,252 | \$1,104 | \$1,104 | \$1,148 |

(Dollars in Thousands)

| <u>Performance Measure #3</u> | <u>2003 Actual</u> | <u>2004 Actual</u> | <u>2005 Actual</u> | <u>2006 Actual</u> | <u>2007 Target</u> | <u>2008 Target</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Cost-benefit analysis and risk assessments reviewed; technical assistance and leadership for regulatory analyses | 60 | 60 | 60 | 60 | 60 | 60 |
| Dollars | \$766 | \$779 | \$900 | \$1,016 | \$1,016 | \$1,058 |
| ORACBA news issued | 12 | 12 | 12 | 12 | 12 | 12 |
| Dollars | \$42 | \$43 | \$54 | \$56 | \$56 | \$57 |
| Training seminars held | 5 | 5 | 5 | 6 | 6 | 6 |
| Dollars | \$42 | \$43 | \$54 | \$56 | \$56 | \$57 |

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(Dollars in Thousands)

| <u>Performance Measure #4</u> | <u>2003 Actual</u> | <u>2004 Actual</u> | <u>2005 Actual</u> | <u>2006 Actual</u> | <u>2007 Target</u> | <u>2008 Target</u> |
|--|--------------------|--------------------|-----------------------------------|---|---|---|
| Increase the number of products designated under the BioPreferred Program (FB4P) | N/A | N/A | Proposed draft rule for 1-6 items | Final rule for 6 items and 2 proposed rules for clearance for 20 more items | Final rule for 10 additional items in place (cumulative total 2006 actual and 2007 is 16 items) | Final rule for 10 additional items is place (cumulative total 2007 actual and 2008 is 26 items) |
| Labeling program implemented | N/A | N/A | N/A | New Program | Proposed rule for label use entered into clearance | Final rule in place for products granted use of label, qualify 6 products for label use |
| Dollars | \$1,957 | \$1,991 | \$2,338 | \$4,541 | \$2,541 | \$2,642 |

(Dollars in Thousands)

| <u>Performance Measure #5</u> | <u>2003 Actual</u> | <u>2004 Actual</u> | <u>2005 Actual</u> | <u>2006 Est.</u> | <u>2007 Target</u> | <u>2008 Target</u> |
|--|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|
| Number of Methane-to-Market Agriculture Project Network members (cumulative) | N/A | N/A | N/A | N/A | N/A | 15 |
| Dollars | -- | -- | -- | -- | -- | \$154 |
| Projects with key developing country partners (cumulative) | N/A | N/A | N/A | N/A | N/A | 3 |
| Dollars | -- | -- | -- | -- | -- | \$346 |

EXECUTIVE OPERATIONS

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Full Cost by Strategic Objective
(Dollars in Thousands)

Strategic Objective 1.1: Provide economic intelligence to enable understanding of markets and economic effects of alternative policies

| PROGRAM | PROGRAM ITEMS | 2006 | 2007 | 2008 |
|---------------------------|---------------|--------------|--------------|--------------|
| Economic Analysis | Direct Costs | \$2,014 | \$1,998 | \$2,077 |
| Sustainable Development | Direct Costs | 194 | 204 | 211 |
| Agricultural Labor Issues | Direct Costs | 143 | 149 | 155 |
| Total Costs | | 2,351 | 2,351 | 2,443 |
| | FTEs | 11 | 11 | 11 |

Strategic Objectives 2.1, 2.2 and 2.3: Meet information needs of customers and clients for global commodity information; Assess impact of weather and natural phenomena on agriculture; and Enhance the speed, security and accessibility of market information

| | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|
| Monthly WASDE Report | Direct Costs | 3,311 | 3,311 | 3,442 |
| Weekly Weather and Crop Bulletins | Direct Costs | 1,104 | 1,104 | 1,148 |
| Total Costs | | 4,415 | 4,415 | 4,590 |
| | FTEs | 24 | 35 | 35 |

Strategic Objectives 3.1 and 3.2: Review regulatory impact analyses and risk assessments for Departmental regulations; and Provide support to conduct risk assessments and cost-benefit analyses

| | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Review regulatory impact analyses | Direct Costs | 376 | 376 | 391 |
| Review assessments/economic analyses | Direct Costs | 539 | 538 | 561 |
| Conduct seminars and training | Direct Costs | 110 | 112 | 114 |
| Collaborate on risk related research | Direct Costs | 102 | 101 | 106 |
| Total Costs | | 1,127 | 1,127 | 1,172 |
| | FTEs | 10 | 10 | 10 |

Strategic Objectives 4.1, 4.2 and 4.3: Promote increased use of biobased products by Federal agencies; Increase the use of biodiesel through educational efforts; and Analyze alternative energy policies and programs

| | | | | |
|-------------------------------|--------------|-------|-------|-------|
| Energy Activities within USDA | Direct Costs | 4,541 | 2,541 | 2,642 |
| | FTEs | 8 | 8 | 7 |

Strategic Objectives 5.1 and 5.2: Increase the number of M2M Agriculture Project Network members; and Increase the number of Projects with key developing country partners

| | | | | |
|---|--------------|---------------|---------------|---------------|
| Increase M2M Network Members | Direct Costs | -- | -- | 154 |
| Increase Partner Country Projects | Direct Costs | -- | -- | 346 |
| Total Costs | | -- | -- | 500 |
| | FTEs | -- | -- | 1 |
| Total Costs All Strategic Objectives | | 12,434 | 10,434 | 11,347 |
| Total FTEs | | 53 | 64 | 64 |

2008 Explanatory Notes

National Appeals Division
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EXECUTIVE OPERATIONS

NATIONAL APPEALS DIVISION

Purpose Statement

The National Appeals Division (NAD) was established by the Secretary of Agriculture on October 20, 1994, by Secretary's Memorandum 1010-1, pursuant to the Federal Crop Insurance and Reform and Department of Agriculture Reorganization Act of 1994, Public Law No. 103-354. The Act consolidated the appellate functions and staff of several USDA agencies to provide for independent hearings and reviews of adverse agency decisions.

The mission of NAD is to conduct fair and impartial administrative appeal hearings and reviews of adverse decisions issued by certain agencies within the USDA and to issue determinations in an expeditious manner that reflect a thorough consideration of factual information and reach a proper conclusion. By statute, NAD hears appeals involving program decisions of the Farm Service Agency, Risk Management Agency, Natural Resources Conservation Service, Rural Business-Cooperative Development Service, Rural Housing Service, and the Rural Utilities Service. The Secretary of Agriculture may also assign to NAD additional jurisdiction to hear administrative appeals arising from decisions of other parts of USDA.

NAD Headquarters is located in Alexandria, Virginia. NAD administers its appeals system through three regional offices located in Memphis, Tennessee; Indianapolis, Indiana; and Lakewood, Colorado. The hearing officers are located in 69 field locations throughout the United States, and operate out of leased office space or home offices. As of September 30, 2006, there were 102 full-time permanent employees. These employees were assigned as follows:

| <u>Location</u> | <u>Full-time Permanent</u> |
|-----------------|----------------------------|
| Alexandria, VA | 24 |
| Field Units | <u>78</u> |
| Total | <u>102</u> |

NAD did not have any Office of Inspector General or Government Accountability Office evaluation reports during the past year.

EXECUTIVE OPERATIONS

NATIONAL APPEALS DIVISION

Available Funds and Staff Years2006 Actual and Estimated 2007 and 2008

| Item | 2006 Actual | | 2007 Estimate | | 2008 Estimate | |
|---|-------------------|----------------|-------------------|----------------|-------------------|----------------|
| | Amount | Staff Years | Amount | Staff Years | Amount | Staff Years |
| Direct Appropriation | \$14,524,000 | 102 | \$14,379,000 | 108 | \$15,056,000 | 108 |
| Rescission..... | -145,240 | -- | -- | -- | -- | -- |
| Transfer to WCF | -150,000 | -- | -- | -- | -- | -- |
| Total, Agriculture Appropriations..... | 14,228,760 | 102 | 14,379,000 | 108 | 15,056,000 | 108 |

Permanent Positions By Grade and Staff Year Summary2006 Actual and Estimated 2007 and 2008

| Grade | 2006 | | | 2007 | | | 2008 | | |
|--|------------|-----------|------------|------------|-----------|------------|------------|-----------|------------|
| | Wash DC | Field | Total | Wash DC | Field | Total | Wash DC | Field | Total |
| ES-00..... | 1 | -- | 1 | 1 | -- | 1 | 1 | -- | 1 |
| GS-15 | 4 | 3 | 7 | 4 | 3 | 7 | 4 | 3 | 7 |
| GS-14 | 2 | 6 | 8 | 2 | 6 | 8 | 2 | 6 | 8 |
| GS-13 | 10 | 58 | 68 | 10 | 58 | 68 | 10 | 58 | 68 |
| GS-12 | 2 | -- | 2 | 2 | -- | 2 | 2 | -- | 2 |
| GS-11 | 1 | 3 | 4 | 1 | 3 | 4 | 1 | 3 | 4 |
| GS-10 | 1 | -- | 1 | 1 | -- | 1 | 1 | -- | 1 |
| GS-9 | 3 | 2 | 5 | 3 | 2 | 5 | 3 | 2 | 5 |
| GS-8 | 1 | -- | 1 | 1 | -- | 1 | 1 | -- | 1 |
| GS-7 | -- | 1 | 1 | -- | 1 | 1 | -- | 1 | 1 |
| GS-6 | 1 | 6 | 7 | 1 | 6 | 7 | 1 | 6 | 7 |
| GS-5 | -- | 3 | 3 | -- | 3 | 3 | -- | 3 | 3 |
| Total Permanent Positions | 26 | 82 | 108 | 26 | 82 | 108 | 26 | 82 | 108 |
| Unfilled Positions end-of-year | -2 | -4 | -6 | -- | -- | -- | -- | -- | -- |
| Total, Permanent Full-Time Employment, end- of-year | 24 | 78 | 102 | 26 | 82 | 108 | 26 | 82 | 108 |
| Staff Year Estimate | 26 | 76 | 102 | 26 | 82 | 108 | 26 | 82 | 108 |

EXECUTIVE OPERATIONS
NATIONAL APPEALS DIVISION

Appropriations Language

For necessary expenses of the National Appeals Division, \$15,056,000.

Salaries and Expenses

| | |
|---------------------------------|-------------------|
| Estimate, 2007 | \$14,379,000 |
| Budget Estimate, 2008..... | <u>15,056,000</u> |
| Increase in Appropriation | <u>+677,000</u> |

Summary of Increases and Decreases
(On basis of appropriation)

| <u>Item of Change</u> | <u>2007 Estimate</u> | <u>Pay Costs</u> | <u>2008 Estimate</u> |
|---------------------------------|--------------------------|------------------|--------------------------|
| National Appeals Division | \$14,379,000 | +\$677,000 | \$15,056,000 |

Project Statement
(On basis of appropriation)

| | <u>2006 Actual</u> | | <u>2007 Estimate</u> | | <u>Increase or Decrease</u> | <u>2008 Estimate</u> | |
|--|--------------------|------------------------|----------------------|------------------------|-------------------------------------|----------------------|------------------------|
| | <u>Amount</u> | <u>Staff Years</u> | <u>Amount</u> | <u>Staff Years</u> | | <u>Amount</u> | <u>Staff Years</u> |
| National Appeals Division | \$13,882,780 | 102 | \$14,379,000 | 108 | +\$677,000 | \$15,056,000 | 108 |
| Unobligated Balance..... | 345,980 | -- | -- | -- | -- | -- | -- |
| Total Available or Estimate..... | 14,228,760 | 102 | 14,379,000 | 108 | <u>+677,000</u> | <u>15,056,000</u> | <u>108</u> |
| Transfer to WCF..... | +150,000 | -- | -- | -- | | | |
| Rescission..... | +145,240 | -- | -- | -- | | | |
| Total, Appropriation... | <u>14,524,000</u> | <u>102</u> | <u>14,379,000</u> | <u>108</u> | | | |

EXECUTIVE OPERATIONS

NATIONAL APPEALS DIVISION

Justification of Increases and Decreases

(1) An increase of \$677,000 for the National Appeals Division (NAD) consisting of:

a) A total increase of \$677,000, of which \$350,000 is for 2008 increased pay costs, and \$327,000 is for 2007 pay costs.

This increase is needed to maintain the current level of staffing to ensure that NAD can carry out its full range of responsibilities and agency goal. NAD would be adversely affected in its ability to execute its mission without the increase for pay costs. NAD is a small office with three-quarters of its total budget used for salaries and benefits, and NAD does not have the flexibility to reduce non-salary expenses to absorb these costs.

8-21
NATIONAL APPEALS DIVISION

Geographic Breakdown of Obligations and Staff Years
2006 Actual and Estimated 2007 and 2008

| | 2006 | | 2007 | | 2008 | |
|--|------------|----------------|------------|----------------|------------|----------------|
| | Amount | Staff Years | Amount | Staff Years | Amount | Staff Years |
| Alabama | \$117,760 | 1 | \$120,617 | 1 | \$123,767 | 1 |
| Arizona | 115,432 | 1 | 117,444 | 1 | 120,510 | 1 |
| Arkansas | 343,176 | 3 | 345,444 | 3 | 355,018 | 3 |
| California | 120,859 | 1 | 123,792 | 1 | 127,025 | 1 |
| Colorado | 572,487 | 6 | 586,372 | 6 | 601,690 | 6 |
| Connecticut | 114,662 | 1 | 117,444 | 1 | 120,510 | 1 |
| Delaware | 114,662 | 1 | 117,444 | 1 | 120,510 | 1 |
| Florida | 340,887 | 3 | 349,158 | 3 | 358,274 | 3 |
| Georgia | 229,323 | 2 | 234,887 | 2 | 241,021 | 2 |
| Idaho | 114,662 | 1 | 117,444 | 1 | 120,510 | 1 |
| Illinois | 111,563 | 1 | 114,270 | 1 | 117,254 | 1 |
| Indiana | 1,067,030 | 11 | 1,091,984 | 11 | 1,127,897 | 11 |
| Iowa | 232,422 | 2 | 247,534 | 2 | 247,534 | 2 |
| Kentucky | 229,324 | 2 | 241,234 | 2 | 241,020 | 2 |
| Louisiana | 114,662 | 1 | 117,444 | 1 | 120,510 | 1 |
| Massachusetts | 112,312 | 1 | 114,270 | 1 | 117,254 | 1 |
| Michigan | 229,324 | 2 | 234,888 | 2 | 244,277 | 2 |
| Minnesota | 241,718 | 2 | 247,584 | 2 | 254,050 | 2 |
| Mississippi | 343,986 | 3 | 352,332 | 3 | 361,530 | 3 |
| Missouri | 242,838 | 1 | 248,728 | 1 | 255,223 | 1 |
| Montana | 112,312 | 1 | 114,270 | 1 | 117,254 | 1 |
| Nebraska | 224,624 | 2 | 237,476 | 2 | 243,677 | 2 |
| North Carolina | 223,126 | 2 | 228,540 | 2 | 234,508 | 2 |
| North Dakota | 223,126 | 2 | 231,714 | 2 | 237,764 | 2 |
| Ohio | 112,312 | 1 | 114,270 | 1 | 120,510 | 1 |
| Oklahoma | 226,225 | 2 | 231,714 | 2 | 237,764 | 2 |
| Pennsylvania | 229,324 | 2 | 234,888 | 2 | 241,020 | 2 |
| South Carolina | 117,760 | 1 | 120,617 | 1 | 123,767 | 1 |
| Tennessee | 985,523 | 10 | 1,009,081 | 10 | 1,035,433 | 10 |
| Texas | 452,450 | 4 | 463,428 | 4 | 475,528 | 4 |
| Vermont | 114,662 | 1 | 117,444 | 1 | 120,510 | 1 |
| Virginia | 238,619 | 2 | 244,409 | 2 | 247,535 | 2 |
| Washington | 227,232 | 1 | 117,444 | 1 | 120,510 | 1 |
| West Virginia | 117,760 | 1 | 120,617 | 1 | 123,767 | 1 |
| Wisconsin | 117,760 | 1 | 120,617 | 1 | 123,767 | 1 |
| National Office | 5,050,876 | 23 | 5,432,157 | 29 | 5,877,302 | 29 |
| <hr/> | | | | | | |
| Subtotal, Available or Estimate | 13,882,780 | 102 | 14,379,000 | 108 | 15,056,000 | 108 |
| Transfer to WCF | 150,000 | -- | -- | -- | -- | -- |
| Unobligated balance | 345,980 | -- | -- | -- | -- | -- |
| <hr/> | | | | | | |
| Total, Available or Estimate | 14,378,760 | 102 | 14,379,000 | 108 | 15,056,000 | 108 |

EXECUTIVE OPERATIONS

NATIONAL APPEALS DIVISION

Classification By Objects2006 Actual and Estimated 2007 and 2008

| | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|-------------------|-------------------|-------------------|
| Personnel Compensation: | | | |
| Alexandria, VA | \$5,157,516 | \$5,432,157 | \$5,985,761 |
| Field..... | 3,973,250 | 4,319,843 | 4,313,239 |
| 11 Total personnel compensation..... | 9,130,766 | 9,752,000 | 10,299,000 |
| 12 Personnel benefits..... | 2,000,105 | 2,018,000 | 2,148,000 |
| Total pers. comp. & benefits | 11,130,871 | 11,770,000 | 12,447,000 |
| Other Objects: | | | |
| 13 Former personnel..... | 3,054 | -- | -- |
| 21 Travel and transportation of persons | 407,091 | 432,000 | 432,000 |
| 22 Transportation of things..... | 73,700 | 100,000 | 100,000 |
| 23.2 Rental payments to others..... | -- | 16,000 | 16,000 |
| 23.3 Communications, utilities, and misc. charges..... | 406,489 | 400,000 | 400,000 |
| 24 Printing and reproduction..... | 7,944 | 50,000 | 50,000 |
| 25.1 Advisory and assistance services..... | 854,694 | 794,000 | 794,000 |
| 25.2 Other services | 481,800 | 97,000 | 97,000 |
| 25.3 Purchases of goods and services from Government Accounts | 215,923 | 300,000 | 300,000 |
| 26 Supplies and materials..... | 191,039 | 160,000 | 160,000 |
| 31 Equipment | 106,031 | 210,000 | 210,000 |
| 42 Litigation Fees & Awards..... | 3,937 | 50,000 | 50,000 |
| 43 Interest and Dividends..... | 207 | | |
| Total other objects | 2,751,909 | 2,609,000 | 2,609,000 |
| Total direct obligations..... | 13,882,780 | 14,379,000 | 15,056,000 |
| <u>Position Data:</u> | | | |
| Average Salary, GS positions..... | \$85,017 | \$86,808 | \$88,718 |
| Average Grade, GS positions | 13.4 | 13.4 | 13.4 |

EXECUTIVE OPERATIONS
NATIONAL APPEALS DIVISION
STATUS OF PROGRAM

The National Appeals Division (NAD) is responsible for conducting fair and impartial administrative appeals of adverse decisions issued by certain agencies within the Department of Agriculture.

Current Activities:

Appealability Determinations. When an agency determines that an administrative decision is not appealable, a participant may request the NAD Director review the determination. The Director's decision is administratively final.

Pre-Hearing Conferences. NAD conducts pre-hearing conferences to identify or narrow the issues in the appeal. Pre-hearings help ensure all parties are prepared for the hearing and hearings are impartial and objective.

Hearings and Reviews. NAD conducts impartial administrative appeal hearings and reviews of adverse program decisions made by officers, employees or committees of designated agencies of the Department of Agriculture, and issues determinations in an expeditious manner that reflect a thorough consideration of factual information to reach a proper conclusion. By statute, NAD hears appeals involving program decisions of the Farm Service Agency, Risk Management Agency, Natural Resources Conservation Service, Rural Business - Cooperative Service, Rural Housing Service, and the Rural Utilities Service. The Secretary of Agriculture may also assign NAD additional jurisdiction to hear administrative appeals arising from decisions of other parts of USDA.

Selected Examples of Recent Progress:

- Processed 2,850 cases filed with NAD;
- Issued 680 determinations when appellants challenged the agency view that a decision was not appealable. Outcome was favorable to Appellants in 62 percent of cases;
- Conducted 1,335 in-person or telephonic hearings, and record reviews;
- Issued 2,496 determinations, of which 2,031 were issued by Hearing Officers and 465 were issued by the NAD Director. Outcome was favorable to Appellants in 35 percent of cases;
- Affirmed the fairness of the USDA appeals process by publishing over 2,500 written determinations on the NAD Web site (http://www.nad.usda.gov/public_search.html);
- Implemented digital recording of pre-hearings and hearings: Over 2,000 hearings have been recorded and indexed in the database for easy employee and management review. When parties request audio recordings, NAD now provides CD's or MP3 audio files;
- Through group employee evaluation sessions, conducted quality assessments of over 500 hearing and review decisions, according to NAD writing standards that have been validated by the Educational Testing Service; and,
- Continued its outreach campaign (*Face to Face Fairness*) to demonstrate to producers the fairness of the USDA appeals system: Conducted 29 outreach activities (e.g. attended farm shows, conventions, and conferences; conducted agency training; and met with rural colleges and organizations) and disseminated information about NAD's mission, appellant rights, and the USDA appeals process.

EXECUTIVE OPERATIONS
NATIONAL APPEALS DIVISION

Summary of Budget and Performance
Statement of Goals and Objectives

NAD has one strategic goal and two strategic objectives that contribute to the strategic goals of the Department.

| USDA Strategic Goal | Agency Strategic Goal | Agency Objectives | Programs that Contribute | Key Outcome |
|---|--|--|--|--|
| NAD supports all the strategic goals of the Department. | Agency Goal 1: Issue timely and well-written determinations that correctly interpret applicable regulations. | <p><u>Objective 1.1:</u> Conduct hearings and issue quality determinations within applicable statutorily-mandated timeframes.</p> <p><u>Objective 1.2:</u> Issue appeal hearing and review determinations that informed readers have assigned evaluation scores that fall within a standard deviation of 1.0 based on a six-point scale identifying excellence and matters that detract from excellence. This provides an objective evaluation tool for identifying what makes a determination excellent and helps writers achieve excellence in their work.</p> | <p>Hearings Appeals Reviews</p> <p>Planning, Training, and Quality Control</p> | <p><u>Key Outcome 1:</u> NAD conducts timely hearings and delivers timely determinations.</p> <p><u>Key Outcome 2:</u> Correct, fair, and readable determinations; reaching the right decision for the right reason.</p> |

EXECUTIVE OPERATIONS
NATIONAL APPEALS DIVISION

Strategic Objective and Funding Mix

STRATEGIC OBJECTIVE 1.1: Conduct hearings and issue quality determinations within applicable statutorily-mandated timeframes.

STRATEGIC OBJECTIVE 1.2: Issue appeal hearing and review determinations that informed readers have assigned evaluation scores that fall within a standard deviation of 1.0 based on a six-point scale identifying excellence and matters that detract from excellence. This provides an objective evaluation tool for identifying what makes a determination excellent and helps writers achieve excellence in their work.

Strategic Objective and Funding Matrix:
(On basis of appropriation)

| | <u>2006 Actual</u> | | <u>2007 Estimate</u> | | Increase or Decrease | <u>2008 Estimate</u> | |
|---|--------------------|------------------------|----------------------|------------------------|----------------------------|----------------------|------------------------|
| | <u>Amount</u> | <u>Staff Years</u> | <u>Amount</u> | <u>Staff Years</u> | | <u>Amount</u> | <u>Staff Years</u> |
| <u>Strategic Objective 1.1 & 1.2</u> | | | | | | | |
| National Appeals Division | \$14,228,760 | 102 | \$14,379,000 | 108 | +\$677,000 | \$15,056,000 | 108 |
| Total Available | <u>14,228,760</u> | <u>102</u> | <u>14,379,000</u> | <u>108</u> | <u>+677,000</u> | <u>15,056,000</u> | <u>108</u> |

Selected Accomplishments Expected at the FY 2008 Proposed Resource Level:

- Continue to conduct hearings within established timeframes
- Continue to issue appeal determinations within established timeframes
- Continue to review determinations within established timeframes
- Continue evaluations of written NAD hearing and review decisions

Summary of Budget and Performance
Key Performance Outcomes and Measures

Goal 1: Issue timely and well-written determinations that correctly interpret applicable regulations.

Key Outcomes: NAD conducts timely hearings and delivers timely determinations.

Key Performance Measures:

- Measure #1: Conduct hearings and issue quality determinations within applicable statutorily-mandated timeframes.
- Measure #2: Group evaluations of written NAD hearing and review decisions, based upon a six-point scale, the standard deviation for a population of scores will not exceed 1.0.

EXECUTIVE OPERATIONS
NATIONAL APPEALS DIVISION

Key Performance Target:

| Performance Measure | 2003 Actual | 2004 Actual | 2005 Actual | 2006 Actual | 2007 Target | 2008 Target |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Conduct hearings and issue quality determinations within applicable timeframes. | 85% | 85% | 85% | 85% | 85% | 85% |
| Group evaluations of written NAD hearing and review decisions, based upon a six-point scale, the standard deviation for a population of scores will not exceed 1.0. | 100% | 100% | 100% | 100% | 100% | 100% |

Full Cost by Strategic Objective
(Dollars in Thousands)

Strategic Objective 1.1: Conduct hearings and issue quality determinations within applicable statutorily- mandated timeframes.

Strategic Objective 1.2: Issue appeal hearing and review determinations that informed readers have assigned evaluation scores that fall within a standard deviation of 1.0 based on a six-point scale identifying excellence and matters that detract from excellence. This provides an objective evaluation tool for identifying what makes a determination excellent and helps writers achieve excellence in their work.

| PROGRAM | PROGRAM ITEM | 2006 | 2007 | 2008 |
|-------------------------------|------------------------|----------|----------|----------|
| National Appeals Division ... | Direct Costs <u>a/</u> | \$14,229 | \$14,379 | \$15,056 |
| FTEs | | 102 | 108 | 108 |

a/ By statute, NAD is not allowed to accept any administrative support from any part of USDA other than the Office of the Secretary without reimbursement. NAD does not have any indirect costs.

2008 Explanatory Notes

Homeland Security Staff
Table of Contents

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HOMELAND SECURITY STAFF

Purpose Statement

The Homeland Security Staff (HSS) provides overall leadership and coordination of programs to plan for and respond to major natural and terrorist emergencies and threats. This involves coordination with mission areas/agencies for policy formulation, response plans, reporting and action assignments to meet acute and major threats to the food and agriculture system and to key USDA assets. It also involves activation of the USDA incident management system and the Federal Response Plan responsibilities in the event of a major incident, oversight of USDA nationwide policies and procedures related to homeland security, and coordination with the Department of Homeland Security and other Federal agencies, public and private organizations.

The general authority of the HSS for managing all activities relating to homeland security is contained in Executive Order 13228 and the Homeland Security Presidential Directive -1.

The staff financed from this appropriation is located in Washington, D.C. As of September 30, 2006, there were seven employees.

HSS did not have any Office of Inspector General or Government Accountability Office evaluation reports during the past year.

Available Funds and Staff Years2006 Actual and Estimated 2007 and 2008

| Item | 2006 Actual | | 2007 Estimate | | 2008 Estimate | |
|---|----------------|----------------|------------------|----------------|------------------|----------------|
| | Amount | Staff Years | Amount | Staff Years | Amount | Staff Years |
| Direct Appropriation..... | \$934,000 | 5 | \$925,000 | 6 | \$2,412,000 | 15 |
| Rescission..... | -9,340 | -- | | -- | -- | |
| Total, Agriculture Appropriations..... | 924,660 | 5 | 925,000 | 6 | 2,412,000 | 15 |
| Obligations Under USDA Appropriations: | | | | | | |
| Radiological Emergency Response Program..... | 286,000 | 1 | 292,000 | 2 | 144,000 | 1 |
| Total, Homeland Security Staff..... | 1,210,660 | 6 | 1,217,000 | 8 | 2,556,000 | 16 |

HOMELAND SECURITY STAFF

Permanent Positions by Grade and Staff Year Summary2006 Actual and Estimated 2007 and 2008

| Grade | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|-------------------------|-------------------------|-------------------------|
| | <u>Washington, D.C.</u> | <u>Washington, D.C.</u> | <u>Washington, D.C.</u> |
| SES..... | 1 | 2 | 2 |
| GS-15..... | 1 | 1 | 2 |
| GS-14..... | 2 | 3 | 4 |
| GS-13..... | 0 | 1 | 4 |
| GS-12..... | 1 | 0 | 2 |
| GS-9..... | 1 | 1 | 1 |
| GS-5..... | 0 | 0 | 1 |
| Total Permanent Positions..... | 6 | 8 | 16 |
| Unfilled Positions end-of-year..... | -- | -- | -- |
| Total, Permanent Full-Time Employment, end-of-year..... | 6 | 8 | 16 |
| Staff Year Estimate..... | 6 | 8 | 16 |

Appropriations Language

For necessary expenses of the Homeland Security Staff, \$2,412,000.

Lead-off Tabular Statement
and Summary of Increases and Decreases

Salaries and Expenses

| | |
|--------------------------------|-------------------|
| Estimate, 2007..... | \$925,000 |
| Budget Estimate, 2008..... | <u>2,412,000</u> |
| Increase in Appropriation..... | <u>+1,487,000</u> |

HOMELAND SECURITY STAFF

Summary of Increases and Decreases
(On basis of appropriation)

| <u>Item of Change</u> | <u>2006 Estimate</u> | <u>Pay Costs</u> | <u>Program Change</u> | <u>2007 Estimate</u> |
|------------------------------|----------------------|------------------|-----------------------|----------------------|
| Homeland Security Staff..... | \$925,000 | +\$53,000 | +\$1,434,000 | \$2,412,000 |

Project Statement
(On basis of appropriation)

| | <u>2006 Actual</u> | | <u>2007 Estimate</u> | | <u>Increase or Decrease</u> | <u>2008 Estimate</u> | |
|---|--------------------|--------------------|----------------------|--------------------|-----------------------------|----------------------|--------------------|
| | <u>Amount</u> | <u>Staff Years</u> | <u>Amount</u> | <u>Staff Years</u> | | <u>Amount</u> | <u>Staff Years</u> |
| Homeland Security Staff.... | \$880,244 | 6 | \$925,000 | 6 | +\$1,487,000 | \$2,412,000 | 15 |
| Unobligated Balance..... | 44,416 | -- | -- | -- | -- | -- | -- |
| Total Available or Estimate..... | 924,660 | 6 | 925,000 | 6 | +1,487,000 | 2,412,000 | 15 |
| Rescission..... | +9,340 | -- | -- | -- | | | |
| Total, Appropriation..... | 934,000 | 6 | 925,000 | 6 | | | |

Justification of Increases and Decreases

(1) An increase of \$1,487,000 for the Homeland Security Staff (HSS) consisting of:

- (a) A total increase of \$53,000, of which \$28,000 is for fiscal year 2008 increased pay costs, and \$25,000 is for fiscal year 2007 costs.

This increase is needed to maintain the current level of staffing to ensure HSS provides leadership and coordination of programs to plan for and respond to major natural and terrorist emergencies and threats. Over 90 percent of HSS funds are needed to cover salary and benefit costs. The proposed funding level is needed to cover pay and benefit cost increases for existing staff.

- (b) An increase of \$1,274,000 and 8 staff years for a Protective Security Detail.

An increase of \$1,274,000 including 8 staff years (1 Special Agent-in-Charge, 1 Deputy Special Agent-in-Charge, 5 Special Agents and 1 Administrative Support staff member) is requested to support the Secretary's Security Protection Detail, which is transferred to the Homeland Security Staff from the Office of Inspector General.

The staff is responsible for conducting advance functions, driving, and daily protection duties for the Secretary and Deputy Secretary when needed. It also provides investigative research or other intelligence functions for the Homeland Security Staff.

(c) An increase of \$160,000 and 1 staff year for the Radiological Emergency Coordinator.

The Radiological Emergency Response Program represents USDA and should be coordinated within the USDA Homeland Security Staff. It should not be located within an agency because it does not closely follow the mission of any specific agency and risks being shuffled within an agency and not be seen as part of their primary mission. A Radiological Emergency Coordinator needs to be established as part of the Homeland Security Staff.

The Radiological Emergency Response Program is a unique program that provides States and other Federal agencies expertise on the protection of the full spectrum of agricultural systems in the event of an accident or terrorist attack where radioactive materials are used. The Radiological Emergency Response Program reports to the Department of Homeland Security/Federal Emergency Management Agency and works very closely with this organization and other Federal Agencies on Inter-Agency Committees to develop policy and guidance that impacts the Nuclear/Radiological Annex of the National Response Plan.

The Secretary of Agriculture has a vital duty to protect the food supply and agriculture from many hazards including radiological agents. A significant part of protecting the public involves preparing an Emergency Response Plan that addresses how the agency will marshal its technical capabilities in response to the hazard, evaluating exercises with States and Federal agencies that test USDA's ability to protect agriculture, and serving on Inter-agency committees with Department of Homeland Security/Federal Emergency Management, Environmental Protection Agency, Department of Health and Human Services that seek to mitigate the effects of the radiological hazard as outlined in 44 CFR 350, 44 CFR 351, the Nuclear/Radiological Annex of the National Response Plan, and USDA's Departmental Regulation 1800-1 requiring such participation.

A Radiological Emergency Coordinator (REC), possessing training and experience in health physics, radiological emergency preparedness, and use of protective action guides, will be located in the Washington Metro Area (DC, MD or VA) and report to the USDA Homeland Security Office.

Geographic Breakdown of Obligations and Staff Years

| | <u>2006 Actual and Estimated 2007 and 2008</u> | | | | | |
|-----------------------------------|--|-------------|----------------|-------------|------------------|-------------|
| | 2006 | | 2007 | | 2008 | |
| | Amount | Staff Years | Amount | Staff Years | Amount | Staff Years |
| Washington, D.C..... | \$80,244 | 6 | \$925,000 | 6 | \$2,412,000 | 15 |
| Unobligated balance..... | <u>44,416</u> | | | | | |
| Total, Available or Estimate..... | <u>924,660</u> | <u>6</u> | <u>925,000</u> | <u>6</u> | <u>2,412,000</u> | <u>15</u> |

HOMELAND SECURITY STAFF

Classification By Objects
2006 Actual and Estimated 2007 and 2008

| | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|----------------|----------------|------------------|
| Personnel Compensation: | | | |
| Washington, D.C. | \$618,845 | \$723,000 | \$1,561,000 |
| 11 Total personnel compensation..... | 618,845 | 723,000 | 1,561,000 |
| 12 Personnel benefits | 135,398 | 168,000 | 336,000 |
| Total pers. comp. & benefits | 754,243 | 891,000 | 1,897,000 |
| Other Objects: | | | |
| 21 Travel | 53,908 | 10,000 | 70,000 |
| 23.3 Communications, utilities, and misc. charges | 8,558 | 9,000 | 10,000 |
| 24 Printing and reproduction..... | 0 | 0 | 0 |
| 25.2 Other services..... | 51,950 | 10,000 | 424,000 |
| 25.3 Purchases of goods and services from Government Accounts | 326 | | |
| 26 Supplies and materials..... | 11,259 | 5,000 | 11,000 |
| 31 Equipment | 0 | 0 | 0 |
| Total other objects..... | 126,001 | 34,000 | 515,000 |
| Total direct obligations | 880,244 | 925,000 | 2,412,000 |
| <u>Position Data:</u> | | | |
| Average Salary, ES positions | \$135,474 | \$138,454 | \$142,608 |
| Average Salary, GS positions..... | 92,270 | 94,300 | 97,129 |
| Average Grade, GS positions | 13.6 | 13.6 | 14.2 |

2008 Explanatory Notes

Office of Budget and Program Analysis

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EXECUTIVE OPERATIONS

OFFICE OF BUDGET AND PROGRAM ANALYSIS

Purpose Statement

The Office of Budget and Program Analysis (OBPA) was established in June 1981. Its predecessor organization was established on July 8, 1922 (Secretary's Memorandum No. 389), under the provisions of the Budget and Accounting Act of 1921, which designated that a Budget Officer was to have charge of the preparation of estimates and other appropriations for the Department.

The mission of OBPA is to provide analyses and information to the Office of the Secretary and other policy officials to support informed decision-making regarding the Department's programs and policies, budget, legislative, and regulatory actions.

The Office of Budget and Program Analysis is located in Washington, D.C. As of September 30, 2006, there were 54 permanent full-time employees, and 4 other than full-time permanent employees.

EXECUTIVE OPERATIONS
OFFICE OF BUDGET AND PROGRAM ANALYSIS

Available Funds and Staff Years
2006 Actual and Estimated 2007 and 2008

| Item | 2006 Actual | | 2007 Estimate | | 2008 Estimate | |
|---------------------------------------|------------------|----------------|------------------|----------------|------------------|----------------|
| | Amount | Staff Years | Amount | Staff Years | Amount | Staff Years |
| Direct Appropriation | \$8,298,000 | 58 | \$8,215,000 | 62 | \$9,035,000 | 65 |
| Rescission..... | -82,980 | -- | -- | -- | -- | -- |
| Total, Appropriations..... | 8,215,020 | 58 | 8,215,000 | 62 | 9,035,000 | 65 |

Permanent Positions by Grade and Staff Year Summary
2006 Actual and Estimated 2007 and 2008

| Grade | 2006 Washington, D.C. | 2007 Washington, D.C. | 2008 Washington, D.C. |
|---|--------------------------|--------------------------|--------------------------|
| ES..... | 6 | 6 | 6 |
| GS-15 | 13 | 12 | 12 |
| GS-14 | 13 | 14 | 15 |
| GS-13 | 10 | 11 | 12 |
| GS-12 | 3 | 3 | 4 |
| GS-11 | 4 | 5 | 5 |
| GS-9 | 3 | 2 | 3 |
| GS-8 | 4 | 4 | 4 |
| GS-7 | 2 | 2 | 2 |
| GS-6 | 0 | 0 | 0 |
| GS-5 | 0 | 0 | 0 |
| GS-4 | 2 | 2 | 2 |
| GS-3 | 1 | 1 | 0 |
| Total Permanent Positions..... | 61 | 62 | 65 |
| Unfilled Positions end-of-year | -7 | -- | -- |
| Total, Permanent Full-Time Employment, end-of-year | 54 | 62 | 65 |
| Staff Year Estimate..... | 58 | 62 | 65 |

EXECUTIVE OPERATIONS

OFFICE OF BUDGET AND PROGRAM ANALYSIS

Appropriations Language

For necessary expenses of the Office of Budget and Program Analysis, \$9,035,000.

Lead-off Tabular Statement
And Summary of Increases and Decreases

| | |
|--------------------------------|------------------|
| Estimate, 2007..... | \$8,215,000 |
| Budget Estimate, 2008 | <u>9,035,000</u> |
| Increase in Appropriation..... | <u>+820,000</u> |

Summary of Increases and Decreases
(On basis of appropriation)

| <u>Item of Change</u> | <u>2007</u> <u>Estimate</u> | <u>Pay Costs</u> | <u>Program</u> <u>Changes</u> | <u>2008</u> <u>Estimate</u> |
|----------------------------------|--------------------------------|------------------|----------------------------------|--------------------------------|
| Budget and Program Analysis | \$8,215,000 | +\$407,000 | +\$413,000 | \$9,035,000 |

EXECUTIVE OPERATIONS

OFFICE OF BUDGET AND PROGRAM ANALYSIS

Project Statement
(On basis of appropriation)

| | <u>2006 Actual</u> | | <u>2007 Estimate</u> | | <u>Increase or Decrease</u> | <u>2008 Estimate</u> | |
|---|--------------------|------------------------|----------------------|------------------------|-------------------------------------|----------------------|------------------------|
| | <u>Amount</u> | <u>Staff Years</u> | <u>Amount</u> | <u>Staff Years</u> | | <u>Amount</u> | <u>Staff Years</u> |
| Office of Budget and Program Analysis..... | \$7,748,944 | 58 | \$8,215,000 | 62 | +\$820,000 | \$9,035,000 | 65 |
| Unobligated Balance..... | 366,076 | -- | -- | -- | -- | -- | -- |
| Total Available or Estimate..... | 8,115,020 | 58 | 8,215,000 | 62 | +820,000 | 9,035,000 | 65 |
| Rescission..... | +82,980 | -- | -- | -- | | | |
| Transfer Working Capital Fund.... | +100,000 | | | | | | |
| Total, Appropriation... | 8,298,000 | 58 | 8,215,000 | 62 | | | |

Justification of Increases and Decreases

- (1) An increase of \$820,000 for the Office of Budget and Program Analysis (OBPA) consisting of:
- (a) A total increase of \$407,000 for pay cost increases, of which \$234,000 is for 2008 increased pay costs, and \$173,000 is for 2007 pay costs.

The proposed funding level is needed to cover pay and benefit cost increases for existing staff. This will ensure adequate resources are available to coordinate the preparation and submission to Congress of a performance based budget, and to provide analyses and information to support decision-making regarding budgetary, legislative, and regulatory proposals. Over 90 percent of OBPA funds are needed to cover salary and benefit costs.

EXECUTIVE OPERATIONS

OFFICE OF BUDGET AND PROGRAM ANALYSIS

(b) An increase of \$413,000 for 3 additional staff years.

Due to absorbing increases in the Federal Employees Retirement System, pay, and inflation, OBPA has been unable to fill all positions. Between FY 2002 and FY 2006, OBPA staffing declined from 64 to 58, a nine percent reduction. An increase is necessary to fund 3 analyst staff-years to maintain the ability to provide analyses and information to policy officials to support informed decision-making regarding budgetary, legislative, and regulatory proposals. Lack of resources to support adequate staffing will hinder the quality and timeliness of budget documents and analyses for use by policy officials, Congress, news media, interest groups, and the public. Restoring the Office's analytical capability will be especially critical to meet demands associated with implementation of a new Farm Bill.

Geographic Breakdown of Obligations and Staff Years
2006 Actual and Estimated 2007 and 2008

| | 2006 | | 2007 | | 2008 | |
|--|------------------|-------------|------------------|-------------|------------------|-------------|
| | Amount | Staff Years | Amount | Staff Years | Amount | Staff Years |
| Washington, D.C. | \$7,748,944 | 58 | \$8,215,000 | 62 | \$9,035,000 | 65 |
| Unobligated balance. | 366,076 | | | | | |
| Total, Available or Estimate. | 8,115,020 | 58 | 8,215,000 | 62 | 9,035,000 | 65 |

EXECUTIVE OPERATIONS

OFFICE OF BUDGET AND PROGRAM ANALYSIS

Classification By Objects
2006 Actual and Estimated 2007 and 2008

| | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|-------------|-------------|-------------|
| Personnel Compensation: | | | |
| Washington, D.C. | \$5,778,889 | \$6,137,000 | \$6,769,000 |
| 11 Total personnel compensation..... | 5,778,889 | 6,137,000 | 6,769,000 |
| 12 Personnel benefits | 1,166,682 | 1,424,100 | 1,568,000 |
| | <hr/> | | |
| Total pers. comp. & benefits..... | 6,945,571 | 7,561,100 | 8,337,000 |
| Other Objects: | | | |
| 21 Travel | 31,056 | 10,000 | 10,000 |
| 23.3 Communications, utilities, and misc. charges | 102,812 | 112,000 | 115,000 |
| 24 Printing and reproduction..... | 106,729 | 110,000 | 110,000 |
| 25.2 Other services..... | 189,886 | 119,000 | 120,000 |
| 25.3 Purchases of goods and services from Government Accounts | 179,258 | 176,000 | 178,000 |
| 26 Supplies and materials..... | 179,507 | 100,000 | 100,000 |
| 31 Equipment | 14,125 | 26,900 | 65,000 |
| 42 Litigation Fees and Awards..... | -- | -- | -- |
| | <hr/> | | |
| Total other objects..... | 803,373 | 653,900 | 698,000 |
| | <hr/> | | |
| Total direct obligations | 7,748,944 | 8,215,000 | 9,035,000 |
| | <hr/> <hr/> | | |
| <u>Position Data:</u> | | | |
| Average Salary, ES positions | \$153,715 | \$156,874 | \$161,147 |
| Average Salary, GS positions..... | \$77,353 | \$79,397 | \$81,779 |
| Average Grade, GS positions | 13.1 | 13.1 | 13.1 |

EXECUTIVE OPERATIONS

OFFICE OF BUDGET AND PROGRAM ANALYSIS

STATUS OF PROGRAM

The Office of Budget and Program Analysis (OBPA) coordinates the preparation of departmental budget estimates and legislative reports; administers systems for the allotment and apportionment of funds; provides policy, program and budgetary analysis of the United States Department of Agriculture (USDA) programs and proposals; and provides staff assistance to USDA agencies in meeting their responsibility for the development and review of regulations.

OBPA supports the USDA mission of providing “leadership on food, agriculture, natural resources, rural development and related issues based on sound public policy, the best available science, and efficient management” by contributing guidance, sound analysis, and objective information regarding the Department’s budget, programs, and legislative and regulatory actions.

Current Activities:

- Develop and maintain instructions and guidance for budget formulation, presentation and execution;
- Lead the Department’s implementation of the Budget and Performance Integration Initiative, part of the President’s Management Agenda, to improve the integration of budget and performance information including coordinating Program Assessment Rating Tool (PART) evaluations;
- Prepare materials, including the USDA Budget Summary and Annual Performance Plan, and Explanatory Notes, for presentation and justification of the budget to the Congress, news media, interest groups, and the public;
- Develop alternatives and supporting data for use by policy officials in making budget decisions, including reprogramming and reallocation of funding;
- Serve as liaison with the Executive Office of the President and Appropriations Committees of the Congress to explain, justify and defend USDA’s budget request;
- Conduct reviews of current programs, proposed programs, organizational plans, and reorganization proposals, including reviews of problem areas perceived to affect management efficiency, program outcomes, and implementation of Administration policy;
- Ensure agency-developed material requiring action by the Office of the Secretary is analytically-sound and consistent with Administration policy and budget requirements;
- Develop and maintain Departmental Guidance (DM 1260-1) governing the preparation, review, and clearance of the annual legislative program and legislative reports;
- Provide comprehensive analyses of the potential costs and programmatic implications of proposed legislation to assist in the formulation of the Department’s views;
- Coordinate the clearance of legislative proposals and reports, and regulations through USDA policy officials and the Office of Management and Budget (OMB), including responding to inquiries, maintaining transmittal and clearance records, and notifying agencies of policy decisions and OMB action;

- Develop and maintain the Department guidance, Regulatory Decision Making Requirements (DR1 512-1), governing the preparation, review and clearance of regulatory actions;
- Review regulatory actions for consistency with regulatory requirements and Executive Orders and prepare analytical and explanatory information for policy officials to facilitate clearance of documents; and,
- Coordinate and provide appropriate assistance in the preparation of the USDA portion of OMB's Regulatory Plan and the Semi-Annual Regulatory Agenda.

Selected Examples of Recent Progress:

Budget and Performance Integration. OBPA led the Department's efforts that have resulted in achieving all requirements for the Budget and Performance Integration Initiative. OBPA and agency staff have completed 33 new FY 2008 PARTs and reassessments. The Department has made considerable progress in reducing the number of programs that are rated as "Results Not Demonstrated" (RND). As part of this year's PART process, 13 programs that originally received RND ratings were re-PARTed and 11 received ratings of "Adequate" or above. As a result, less than 3 percent of funding for USDA programs is now associated with programs that have PART ratings of RND. OBPA also produces and contributes to reports for policy officials on Department-wide financial and performance information.

Budget Summary and Related Information. OBPA revised the annual Budget Summary to include program results and other performance information for key measures that support the Department's Strategic Objectives. The Budget Summary and Annual Performance Plan 2007 provides an overview of the Department's Strategic Plan and provides funding highlights by the Strategic Goals. In addition, the document provides historical information and performance targets for key performance measures. The Budget Summary and Annual Performance Plan was released to the public on February 6, 2006 and is available at <http://www.usda.gov/agency/obpa/Budget-Summary/2007/FY07budsum.pdf>.

Disaster Assistance. OBPA provided key support and participated with policy officials in Department-wide efforts to address the devastation caused by hurricanes Katrina, Rita, and Wilma, and to provide assistance in other areas from drought, wildfires and other disasters. OBPA coordinated the regulatory and budgetary activity necessary to address these incidents in a cost effective and humane manner.

Avian Influenza (AI). OBPA provided key support to policy officials in Department-wide safeguarding efforts related to a possible AI outbreak. Priorities included increased surveillance activities, development of a national response plan, and emergency funding to supplement USDA international and domestic efforts in controlling the spread of AI. OBPA coordinates the regulatory and budget activity necessary to support AI activities for a Department-wide Joint Working Group.

Commodity Credit Corporation (CCC) Baseline. OBPA worked with Departmental policy officials, OMB, the Congressional Budget Office (CBO), and agency staff to improve CCC Baseline estimates to better reflect new economic conditions for bioenergy and to utilize a stochastic process for estimates. The improved method for estimating CCC outlays has ensured more consistency between the President's budget and mid-session review estimates, and between the Administration and CBO on the cost estimates of policy and legislative proposals.

Review of Regulatory Actions. In fiscal year 2006, OBPA was actively involved in the review and clearance of almost 300 regulatory workplans and 342 regulations including high priority regulations involving: disaster assistance, revision to the Women, Infants, and Children food package, the Bovine Spongiform Encephalopathy minimal risk regions, low pathogenic AI, and the procurement of commodities for overseas donation. These regulations were reviewed for consistency with USDA statutory, policy, and budgetary objectives and to ensure conformance with substantive and procedural requirements of law, applicable Executive Orders and other regulations that govern the rulemaking process.

Review of Legislative Actions. During fiscal year 2006, OBPA assisted in the preparation of 379 legislative reports. These reports were reviewed to ensure consistency with the program, policy and budgetary objectives of the Administration; based on adequate analysis, and programmatic soundness. In addition, OBPA assisted in the analysis, clearance and transmittal to Congress of the Department's budget proposals for fiscal year 2007. This included proposed Commodity Credit Corporation farm program, user fee, Forest Service payments to states, and the Food and Nutrition Service food stamp program legislation.

EXECUTIVE OPERATIONS

OFFICE OF BUDGET AND PROGRAM ANALYSIS

Summary of Budget and Performance
Statement of Goals and Objectives

OBPA has one goal and three objectives that contribute to the strategic goals of the Department.

| USDA Strategic Goal | Agency Strategic Goal | Agency Objectives | Programs that Contribute | Key Outcome |
|---------------------|---|---|--------------------------|---|
| All | Agency Goal 1: Support the USDA mission of providing “leadership on food, agriculture, natural resources, rural development and related issues based on sound public policy, the best available science, and efficient management” by contributing guidance, sound analysis, and objective information regarding the Department’s budget, programs, and legislative and regulatory actions. | Objective 1.1: Assist the Office of the Secretary and other policy officials in decision-making and policy implementation by providing objective information and analyses regarding the Department’s programs and policies. Objective 1.2: Ensure the Department’s Budget is consistent with policy decisions and that resources are allocated to agencies consistent with priorities, performance, and applicable laws. Objective 1.3: Ensure the Department’s legislative proposals and regulatory actions are analytically sound and consistent with Departmental and Administration policy. | NA NA NA | Key Outcome 1: The Secretary and other policy officials have the objective information necessary to make informed policy decisions in a timely manner. Key Outcome 2: The final Departmental Budget is consistent with policy decisions and allocates resources to agencies according to priorities, performance and applicable laws. Key Outcome 3: The Department’s legislative proposals and regulatory actions are analytically sound and consistent with Departmental and Administration policy. |

Strategic Objective and Funding Mix

STRATEGIC OBJECTIVE 1.1: Assist the Office of the Secretary and other policy officials in decision-making and policy implementation by providing objective information and analyses regarding the Department’s programs and policies.

STRATEGIC OBJECTIVE 1.2: Ensure the Department’s Budget is consistent with policy decisions and that resources are allocated to agencies consistent with priorities, performance, and applicable laws.

STRATEGIC OBJECTIVE 1.3: Ensure the Department’s legislative proposals and regulatory actions are analytically sound and consistent with Departmental and Administration policy.

EXECUTIVE OPERATIONS

OFFICE OF BUDGET AND PROGRAM ANALYSIS

Strategic Objective and Funding Matrix:
(On basis of appropriation)

| | <u>2006 Actual</u> | | <u>2007 Estimate</u> | | | <u>2008 Estimate</u> | |
|---|--------------------|------------------------|----------------------|------------------------|---------------------------------|----------------------|------------------------|
| | <u>Amount</u> | <u>Staff Years</u> | <u>Amount</u> | <u>Staff Years</u> | <u>Increase or Decrease</u> | <u>Amount</u> | <u>Staff Years</u> |
| <u>Strategic Objective 1.1</u> | | | | | | | |
| Assist the Office of the Secretary and other policy officials in decision-making and policy implementation by providing objective information and analyses regarding the Department's programs and policies | | | | | | | |
| | \$2,760,000 | 20 | \$2,760,000 | 21 | +\$53,153 | \$2,813,000 | 21 |
| <u>Strategic Objective 1.2</u> | | | | | | | |
| Ensure the Department's Budget is consistent with policy decisions and that resources are allocated to agencies consistent with priorities, performance, and applicable laws | | | | | | | |
| | 2,948,020 | 21 | 2,948,000 | 22 | +707,861 | 3,656,000 | 25 |
| <u>Strategic Objective 1.3</u> | | | | | | | |
| Ensure the Department's legislative proposals and regulatory actions are analytically sound and consistent with Departmental and Administration policy | | | | | | | |
| | 2,507,000 | 17 | 2,507,000 | 19 | +58,986 | 2,566,000 | 19 |
| Total, Available | 8,215,020 | 58 | 8,215,000 | 62 | +820,000 | 9,035,000 | 65 |

EXECUTIVE OPERATIONS

OFFICE OF BUDGET AND PROGRAM ANALYSIS

Selected Accomplishments Expected at the FY 2008 Proposed Resource Level:

- Assist policy makers in decision-making and policy implementation.
- Make significant contributions to the relevance and accuracy of controlled correspondence.
- Meet Circular A-11 requirements and submit budget materials to the Office of Management and Budget (OMB) and Congress on time.
- Complete 98 percent of regulatory reviews on time.
- Review and clear 80 percent of legislative reports in 3 days.

Key Performance Outcomes and Measures

Objective 1.1: Assist the Office of the Secretary and other policy officials in decision-making and policy implementation by providing objective information and analyses regarding the Department's programs and policies.

Key Outcome: The Secretary and other policy officials have the objective information necessary to make informed policy decisions in a timely manner.

Key Performance Measures:

- Yearly effectiveness rating in assisting policymakers in decision-making and policy implementation, as evidenced by annual informal assessment.
- Significant contribution made to the relevance and accuracy of controlled correspondence.

Key Performance Target: Effective in assisting policymakers in decision-making and policy implementation.

Objective 1.2: Ensure the Department's Budget is consistent with policy decisions and that resources are allocated to agencies consistent with priorities, performance, and applicable laws.

Key Outcome: The final Departmental Budget is consistent with policy decisions and allocates resources to agencies according to priorities, performance and applicable laws.

Key Performance Measures:

- Relevant, accurate, and timely materials produced to present and support the budget.
- Meet Departmental Budget and Performance Integration Goals of President's Management Agenda.

Key Performance Target: Meet Circular A-11 requirements and the budget will be submitted to OMB and Congress on time.

Objective 1.3: Ensure the Department's legislative proposals and regulatory actions are analytically sound and consistent with Departmental and Administration policy.

Key Outcome: The Department's legislative proposals and regulatory actions are analytically sound and consistent with Departmental and Administration policy.

EXECUTIVE OPERATIONS

OFFICE OF BUDGET AND PROGRAM ANALYSIS

Key Performance Measure:

- USDA legislative and regulatory proposals are reviewed and cleared within the assigned OBPA timeframe.

Key Performance Target:

- 80 percent of legislative reports are reviewed and cleared in 3 days or less.
- 98 percent of regulatory reviews are completed within established timeframes.

Full Cost by Strategic Objective
(Dollars in Thousands)

Strategic Goal 1: Support the USDA mission of providing “leadership on food, agriculture, natural resources, rural development and related issues based on sound public policy, the best available science, and efficient management” by contributing guidance, sound analysis, and objective information regarding the Department’s budget, programs, and legislative and regulatory actions.

| PROGRAM | PROGRAM ITEMS | 2006 | 2007 | 2008 |
|---------|---------------|---------|---------|---------|
| NA | Direct Costs | \$8,215 | \$8,215 | \$9,035 |
| | FTEs | 58 | 62 | 65 |