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General Accounting Office
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**Resources, Community, and
Economic Development Division**

B-276691

May 5, 1997

Congressional Committees

Subject: U.S. Department of Agriculture: Analysis of Budgets, Fiscal Years 1997-98

We examined the U.S. Department of Agriculture's (USDA) appropriation for fiscal year 1997 and budget request for fiscal year 1998 for selected budget accounts. Our objectives were to identify for congressional consideration potential rescissions¹ to USDA's appropriation for fiscal year 1997 and potential reductions or deferrals to USDA's budget request for fiscal year 1998. Specifically, we reviewed selected USDA programs and projects to determine whether unobligated funds from USDA's appropriations for fiscal year 1997 and earlier years could be rescinded and whether USDA's current budget request could, in part, be reduced or deferred.

RESULTS IN BRIEF

We identified the following potential opportunities for rescinding the budget authority for USDA's current appropriations and for reducing or deferring the budget authority sought by USDA in its fiscal year 1998 request:

- About \$3 billion of the budget authority appropriated for the Food Stamp Program in fiscal year 1997 will remain unobligated at the end of the fiscal year, including \$100 million that agency records indicate will not be needed for a contingency reserve fund. Accordingly, a rescission of up to \$3 billion in budget authority currently available to USDA for this program may be possible.
- USDA is seeking \$2.5 billion in new budget authority in fiscal year 1998 for a contingency fund to cover unexpected expenses that may occur in the Food Stamp Program. However, this fund may not be needed. USDA's records show that participation rates in the Food Stamp Program have

¹A rescission is a cancellation of budget authority that is otherwise available for obligation.

steadily declined in recent years, and, as a result, the budget authority appropriated for the contingency fund in each of these years was returned to the U.S. Treasury. Thus, a reduction of up to \$2.5 billion in the Department's fiscal year 1998 budget request may be possible.

- About \$675,000 of USDA's fiscal year 1997 appropriation for the Census of Agriculture may remain unobligated at the end of the fiscal year, primarily because of lower-than-expected printing costs. These funds will be carried over to fiscal year 1998 and will remain available for obligation. However, the Department did not consider the availability of these funds in formulating its fiscal year 1998 budget request for the agriculture census; therefore, a reduction or deferral of up to \$675,000 to this request may be possible.
- About \$58 million of the funds appropriated for major construction projects administered either by the Agricultural Research Service or by the Animal and Plant Health Inspection Service will remain unobligated at the end of fiscal year 1997. We noted that a number of these projects are on hold because of such factors as unresolved environmental, siting, funding, and/or legal and procedural issues. Thus, USDA will not be able to utilize the associated unobligated funds until these issues are resolved. USDA estimates that these projects will carry an unobligated balance of about \$20 million at the end of fiscal year 1997. We also noted a number of projects with surplus funds remaining that USDA tentatively plans to redirect for other purposes. USDA estimates that these projects will carry an unobligated balance of about \$11 million at the end of fiscal year 1997. Accordingly, a rescission of up to \$31 million—the unobligated funds associated with projects either on hold or with surplus funds that will not be used for the original purpose intended—may be possible.

FOOD STAMP PROGRAM

Considered the cornerstone of federal food assistance programs, the Food Stamp Program provides low-income households with either coupons or electronic debit cards that can be used to purchase food at authorized grocery stores. In fiscal year 1995, this program provided about \$22 billion in benefits; this amounted to a daily average of approximately \$60 million in assistance to more than 10 million households and 25 million individuals. USDA administers the program at the federal level through its Food and Consumer Service (FCS); state welfare agencies administer the program at the state and local levels. The Food Stamp Program is considered an entitlement program—all households meeting specified income and other criteria are guaranteed benefits even if the

Congress must appropriate supplemental funds to meet the actual level of program activity in a given year.

USDA estimates that about \$3 billion of the budget authority that was appropriated for the Food Stamp Program in fiscal year 1997 will not be needed, and that these funds will be returned to the U.S. Treasury at the end of the fiscal year.² Approximately \$2.5 billion of this amount is attributable to reductions in program participation and benefits resulting from the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (commonly known as the welfare reform act), which became law after the passage of USDA's appropriation for fiscal year 1997. Another \$400,000 is attributable to factors unrelated to provisions of the welfare reform act, such as favorable economic conditions and relatively low inflation in food costs. The remaining \$100 million was appropriated for a contingency reserve fund to cover unanticipated expenses.

FCS officials told us that a rescission of part or all of the estimated \$3 billion in excess budget authority could be risky and, in their view, would have no apparent budgetary benefit. Noting the entitlement status of the Food Stamp Program, these officials cautioned that if this budget authority were rescinded and the program subsequently ran short of funds because of unforeseen circumstances, such as a major economic recession, the Congress would need to pass a supplemental appropriation.

FCS officials also told us that USDA's estimate of the impact of the welfare reform act on the Food Stamp Program should be viewed with a note of caution because it is new law. For example, the act toughens employment requirements for able-bodied adults without dependents in a manner that should significantly reduce the food stamp benefits received by this category of individuals. However, the legislation also provides that states may seek waivers to these new requirements in areas with chronically high unemployment. FCS officials said it is difficult to predict how many states will request these waivers.

Finally, FCS officials said that there is no apparent budgetary benefit to rescinding the budget authority estimated to be excess. According to these officials, the rescission of these funds would not result in budgetary savings in

²An appropriation for the Food Stamp Program remains available only until the end of the fiscal year for which the appropriation was made.

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the context of deficit reduction because FCS would not be making outlays against this budget authority in any case.

Despite the concerns raised by FCS officials, rescinding part or all of the \$3 billion in budget authority that USDA estimates will remain unobligated at the end of fiscal year 1997, including the \$100 million appropriated for the contingency fund, is an option. FCS records indicate that participation in the Food Stamp Program has steadily declined in recent years. For example, average monthly participation in the program declined from 27.5 million in fiscal year 1994 to an estimated 25.9 million in fiscal year 1997. Including the changes caused by the welfare reform act, USDA now estimates that average monthly participation in fiscal year 1997 will be 24.3 million. Furthermore, for fiscal years 1993 through 1996, more than \$2 billion in budget authority appropriated for the Food Stamp Program remained unobligated at the end of each year; in each case, these funds were returned to the U.S. Treasury.

In addition, for fiscal year 1998, USDA is seeking \$2.5 billion in new budget authority for the Food Stamp Program's contingency fund. However, because of declining program participation, contingency funds have not been needed since fiscal year 1992, according to FCS' records. In each subsequent year through fiscal year 1996, the funds appropriated for the reserve were returned to the U.S. Treasury. FCS records indicate that the agency expects that the funds appropriated for the contingency fund in fiscal year 1997 will also not be needed. Therefore, it appears that some or all of the \$2.5 billion contingency fund requested by USDA for fiscal year 1998 may not be needed.

CENSUS OF AGRICULTURE

Responsibility for conducting the Census of Agriculture—a census done every 5 years to collect comprehensive data on the agricultural economy—was transferred from the Department of Commerce to USDA's National Agricultural Statistics Service (NASS) at the beginning of fiscal year 1997. However, a number of issues related to personnel transfers, access to historical Census records, and the support to be provided to NASS by the Department of Commerce's Bureau of the Census were still being addressed as of January 1997, according to NASS officials. Nevertheless, these officials said that NASS planned to obligate most of the \$17.5 million appropriated for the agriculture census in fiscal year 1997.³

³An appropriation for the Census of Agriculture remains available until obligated.

About \$675,000 of the funds appropriated for the agriculture census in fiscal year 1997 may remain unobligated at the end of the year primarily because of lower-than-expected printing costs. According to NASS' Administrator, a contract for the printing of the census questionnaire was awarded for about \$1.8 million less than the \$3.3 million that NASS had originally budgeted. However, the Administrator indicated that about \$800,000 of these funds would be used for other purposes, including relocating newly transferred employees from space leased by the Bureau of the Census and contracting with a commercial firm for computer software support that NASS had anticipated would be provided by the Bureau. In addition, as part of its comments on a draft of this report, USDA indicated that approximately \$525,000 of these funds would be used to improve the census mail list to achieve better coverage of minority and Native American farms and to maintain a separate process for handling census forms for farms in Puerto Rico. As a result, about \$475,000 may remain unobligated at the end of fiscal year 1997.

In addition, the Administrator told us that \$200,000 of the approximately \$10.2 million that the agency is planning to use for support services to be provided by the Bureau in fiscal year 1997 is likely to remain unobligated at the end of the fiscal year. The Administrator said that these funds were intended primarily as a buffer in case all of the bids for the printing contract had exceeded \$3.3 million.

In summary, about \$675,000 of the funds appropriated in fiscal year 1997 for the agriculture census may remain unobligated at the end of the fiscal year; these funds will be carried forward to fiscal year 1998 for possible obligation. However, the Department did not consider the availability of these funds in formulating its fiscal year 1998 budget request for the agriculture census; thus, it may be possible to reduce this request by up to \$675,000.

MAJOR CONSTRUCTION PROJECTS

We reviewed major construction projects (new construction or renovation of existing facilities) administered by two USDA agencies—the Agricultural Research Service (ARS) and the Animal and Plant Health Inspection Service (APHIS). Each of these projects has received funding appropriated to their agency's or office's Buildings and Facilities (B&F) budget account; the amount

of B&F funds to be applied to each was specified in relevant conference committee reports.⁴

For ARS and APHIS, we reviewed a total of 34 major construction projects with a total estimated cost, when completed, of approximately \$1 billion. In total, these projects are expected to have about \$58 million in unobligated funds at the end of fiscal year 1997. We noted that 10 projects were on hold because of such factors as unresolved environmental, siting, funding, and/or legal and procedural issues. USDA estimates that these projects will carry an unobligated balance of approximately \$20 million at the end of fiscal year 1997; these funds cannot be obligated until USDA resolves the issue or issues delaying each project. We also noted that five projects had surplus funds remaining unobligated that USDA tentatively plans to redirect to other purposes. USDA estimates that these projects will carry a total unobligated balance of about \$11 million at the end of fiscal year 1997. Accordingly, a rescission of up to \$31 million—the unobligated funds associated with projects either on hold or with surplus funds—may be possible, either because the available funds will not be needed in fiscal year 1997 or because USDA does not intend to use the funds for the purpose for which they were appropriated.

We noted two projects whose design and/or construction is on hold because of unresolved environmental issues that could lead to the selection of a new construction site. These projects include ARS' National Swine Research Center and APHIS' National Germplasm Quarantine Center.⁵ Another project—APHIS' Methods Development Rearing Facility—is on hold because of possible resiting from Mission, Texas, to Phoenix, Arizona; this resiting may be done to consolidate development of cotton pest control methods at one location.

We also found five projects whose design and/or construction is on hold because of a lack of sufficient funds to begin and complete the next discrete

⁴Appropriations for major construction projects remain available until obligated.

⁵Regarding the National Plant Germplasm Quarantine Center, the construction of the first two phases of this project has been delayed several years because of unresolved environmental issues. APHIS believes that these issues will soon be resolved and the construction site will not be changed. However, at the time of our review, these issues were still unresolved and, accordingly, the project was on hold.

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phase of the intended work.⁶ These projects include ARS' Water Conservation Laboratory, U.S. Vegetable Laboratory, Poultry Disease Laboratory, Regional Poultry Research Center, and Soil and Water Laboratory. In some cases, these projects have not received additional funding in several years; USDA's 1998 budget request does not include funding for any of these projects.

In addition, we noted three projects that are on hold pending resolution of legal or procedural issues, such as who will (1) hold the deed to a facility, (2) be responsible for the operation of a facility once constructed, and/or (3) be the source of construction and/or operating funds for a facility for which USDA's involvement is limited to project design. These projects include ARS' Ethanol Pilot Plant and National Swine Research Center and APHIS' Screwworm Research Facility.

Finally, we noted five projects that apparently have surplus funds that the cognizant agency tentatively plans to redirect to other purposes. These projects include ARS' Hurricane Andrew/Iniki Repair project, Greenhouse/Sugar Beet Laboratory, Animal Health System Research Laboratory, Soil Erosion Center, and South Central Agricultural Research Laboratory.

Enclosure I provides detailed information on the funding and status of each of ARS' major construction projects. Enclosure II provides similar information for APHIS' major construction projects.

AGENCY COMMENTS

We provided USDA with a draft of this report for the Department's review and comment. USDA provided us with written comments on the draft report, and we met with the Associate and Deputy Directors of USDA's Office of Budget and Program Analysis to discuss the Department's comments.

USDA did not specifically disagree with our conclusions on budget reduction opportunities for the Food Stamp Program. However, USDA indicated that the opportunity to rescind the full \$3 billion in its fiscal year 1997 budget authority should be viewed with caution because of uncertainties in future program costs. While we recognize that there are uncertainties associated with USDA's

⁶We viewed a project as being on hold for a lack of sufficient funds if all design and/or construction work for that project had or will come to a standstill before the end of fiscal year 1997.

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forecast of food stamp expenditures, we based our review on the best information that USDA could provide on these expenditures. We also recognize that some cost categories associated with these programs may come in over budget, as suggested by USDA, and that there may be other cost categories that come in under budget. With regard to the opportunity to reduce the fiscal year 1998 budget request for food stamps by \$2.5 billion, USDA said that contingency funds serve as insurance in the event of unforeseen changes in the economy. However, USDA did not specifically identify any national economic contingencies that would necessitate such a substantial reserve. Consequently, we have not changed our views on budget reduction opportunities for the Food Stamp Program.

USDA also said that the savings suggested by our draft report for the Census of Agriculture appeared to be overstated. USDA cited two specific expenses associated with the agriculture census that it had not previously identified. Consequently, we included these expenses in our report and revised our estimate—from \$1.2 million to \$675,000—of the potential reduction that could be made to USDA's budget request for the agriculture census in fiscal year 1998.

Finally, USDA took issue with our descriptions of the status of a number of construction projects, including whether specific projects are on hold or whether the funds to be used for a project have been redirected from the original purpose for which they were appropriated. While we revised the final report to include additional information offered by USDA on the status or financing of these projects, as appropriate, this information did not change our views on the potential rescissions associated with the projects.

USDA's comments and our responses are contained in enclosure III.

SCOPE AND METHODOLOGY

To determine whether USDA's appropriation for fiscal year 1997 and request for fiscal year 1998 for selected programs and projects could be reduced, we reviewed budget information for the Food Stamp Program and the Census of Agriculture. In addition, we reviewed budget information for major construction projects, i.e., construction or renovation projects that were specifically highlighted for funding in conference committee reports, administered by ARS or APHIS. We examined pertinent USDA documents and interviewed knowledgeable USDA officials. For the programs and projects we reviewed, we identified the amounts actually appropriated for fiscal year 1997, unobligated funds remaining from prior years' appropriations, and the amounts requested for fiscal year 1998.

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We conducted our review from October 1996 through April 1997 in accordance with generally accepted government auditing standards.

We are sending this report to you because of your role in overseeing the activities and funding of USDA for the issues discussed. We are also sending copies of this report to the Secretary of Agriculture and to the Director, Office of Management and Budget. In addition, we will make copies available to others on request.

Please contact me at (202) 512-5138 if you or your staff have any questions. Major contributors to this report were Charles M. Adams, James R. Jones, Jr., and Roberto R. Piñero.



Robert A. Robinson
Director, Food and
Agriculture Issues

Enclosures - 2

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List of Congressional Committees

The Honorable Richard G. Lugar
Chairman
The Honorable Tom Harkin
Ranking Minority Member
Committee on Agriculture, Nutrition,
and Forestry
United States Senate

The Honorable Ted Stevens
Chairman
The Honorable Robert C. Byrd
Ranking Minority Member
Committee on Appropriations
United States Senate

The Honorable Thad Cochran
Chairman
The Honorable Dale Bumpers
Ranking Minority Member
Subcommittee on Agriculture,
Rural Development, and
Related Agencies
Committee on Appropriations
United States Senate

The Honorable Robert F. Smith
Chairman
The Honorable Charles W. Stenholm
Ranking Minority Member
Committee on Agriculture
House of Representatives

The Honorable Bob Livingston
Chairman
The Honorable David R. Obey
Ranking Minority Member
Committee on Appropriations
House of Representatives

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The Honorable Joe Skeen
Chairman
The Honorable Marcy Kaptur
Ranking Minority Member
Subcommittee on Agriculture,
Rural Development, FDA, and
Related Agencies
Committee on Appropriations
House of Representatives

**FUNDING AND STATUS OF MAJOR CONSTRUCTION PROJECTS ADMINISTERED BY
THE AGRICULTURAL RESEARCH SERVICE (ARS), FISCAL YEAR 1997**

(Dollars in millions)

Project	Total estimated cost	Total appropriation as of fiscal year 1997 ^a	Unobligated balance as of Mar. 31, 1997	Projected obligations for remainder of fiscal year 1997	Projected unobligated balance as of Sept. 30, 1997	Status
Water Conservation Laboratory, Maricopa, Ariz.	\$52.200	\$0.396	\$0.396	\$0.000	\$0.396	Last appropriation in fiscal year (fy) 1995. Additional \$51.8 million needed; not included in fy 1998 budget request. Project on hold until sufficient funding available for planning/design.
National Rice Research Center, Stuttgart, Ark.	11.234	11.234	0.977	0.432	0.545	Last appropriation in fy 1996. No additional funds needed. Design is complete. Construction contract was awarded in fy 1996 for scheduled completion in 1998. ARS anticipates using unobligated funds for future design/construction contingencies and contract closeout.
Western Regional Research Center, Albany, Ca.	28.500	27.919	6.080	5.580	0.500	Last appropriation in fy 1997. No additional funds needed. Construction contract for last phase will be awarded in late fy 1997 with expected completion by fy 1999. ARS anticipates using unobligated funds for future design/construction contingencies and contract closeout.

Project	Total estimated cost	Total appropriation as of fiscal year 1997 ^a	Unobligated balance as of Mar. 31, 1997	Projected obligations for remainder of fiscal year 1997	Projected unobligated balance as of Sept. 30, 1997	Status
Horticultural Crop & Water Management Research Laboratories, Parlier, Calif.	29.000	5.560	3.379	0.020	3.359	Last appropriation in fy 1995. Additional \$23.4 million needed; fy 1998 budget request includes full amount. Construction on hold until sufficient funding is available. ARS anticipates using \$100,000 of the unobligated balance for future design contingencies and contract closeout.
U.S. Salinity Laboratory, Riverside, Calif.	17.530	18.230	0.443	0.340	0.103	Last appropriation in fy 1993. No additional funds needed. Construction was completed in fy 1995, under budget. ARS redirected \$700,000 to Animal Disease Center for incinerator construction. ARS plans to obligate \$340,000 to modify heating and air conditioning system at salinity laboratory. ARS anticipates using unobligated funds for future design/construction contingencies and contract closeout.

Project	Total estimated cost	Total appropriation as of fiscal year 1997 ^a	Unobligated balance as of Mar. 31, 1997	Projected obligations for remainder of fiscal year 1997	Projected unobligated balance as of Sept. 30, 1997	Status
Horticultural Research Laboratory, Ft. Pierce, Fla.	34.770	34.770	31.407	28.638	2.769	Last appropriation in fy 1997. No additional funds needed. Design is complete; construction contract award is scheduled for late fy 1997 with completion by late fy 1999. ARS anticipates using unobligated funds for future design/construction contingencies and contract closeout.
Hurricane Andrew/Iniki Repair, Fla., Hawaii, La.	15.000	15.000	12.815	2.155	10.660	Last appropriation in fy 1992--\$15 million emergency supplemental to repair damage caused by natural disasters such as Hurricanes Andrew and Iniki and Typhoon Omar. No additional funds needed. Repairs completed in Hawaii and Louisiana; temporary repairs continue in Florida. ARS plans to use remaining funds for renovation and new construction at the Subtropical Horticultural Research Laboratory in Miami.
Poultry Disease Laboratory, Athens, Ga.	6.177	1.077	0.936	0.259	0.677	Last appropriation in fy 1993. Additional \$5.1 million needed; not included in fy 1998 request. Project on hold pending reassessment of scope of work and possible resiting.

Project	Total estimated cost	Total appropriation as of fiscal year 1997 ^a	Unobligated balance as of Mar. 31, 1997	Projected obligations for remainder of fiscal year 1997	Projected unobligated balance as of Sept. 30, 1997	Status
National Center for Agricultural Utilization Research, Peoria, Ill.	81.900	11.730	6.620	4.775	1.845	Last appropriation in fy 1997. Additional \$70.2 million needed; \$8 million sought in 1998 request. Sufficient funds available to award construction contract for first phase of pilot plant.. Design of the chemical wing on hold until sufficient funds available to complete pilot plant. ARS anticipates using \$300,000 of the unobligated balance for future construction contingencies and contract closeout.
Ethanol Pilot Plant, Edwardsville, Ill.	20.000	1.500	1.500	0.000	1.500	Last appropriation in fy 1997; grant for design of pilot plant in conjunction with Southern Illinois University for testing technologies for converting corn to ethanol fuel. No additional funds needed; construction costs--\$18.5 million--will be covered by nonfederal sources. Project design on hold because ARS is concerned that facility, as proposed, would be near commercial, not research, capacity. In addition, questions remain about sources of construction and operating funds.

Project	Total estimated cost	Total appropriation as of fiscal year 1997 ^a	Unobligated balance as of Mar. 31, 1997	Projected obligations for remainder of fiscal year 1997	Projected unobligated balance as of Sept. 30, 1997	Status
Soil Erosion Center, West Lafayette, Ind	4.320	4.320	0.010	0.000	0.010	Last appropriation in fy 1981. No additional funds needed. Project completed in fy 1981. ARS views unobligated funds as surplus and available for redirection.
National Animal Disease Center, Ames, Ia.	4.900	4.900	0.134	0.134	0.000	Last appropriation in fy 1994. ARS also transferred \$700,000 from salinity laboratory project. No additional funds needed. Construction will be completed in fy 1997.
National Swine Research Center, Ames, Ia.	26.829	14.107	2.107	0.100	2.007	Last appropriation in fy 1995. Additional \$12.4 million needed to construct farm complex; not included in fy 1998 request. Office/laboratory construction completion anticipated late fy 1997. Farm complex design delayed because of environmental concerns and consideration of alternative site. In addition, legislation requires transfer of farm complex deed to Iowa State University; university does not want deed. ARS anticipates using \$1.5 million of the unobligated funds for the eventual design of the farm complex and the remaining \$500,000 for future construction contingencies and contract closeout.

Project	Total estimated cost	Total appropriation as of fiscal year 1997 ^a	Unobligated balance as of Mar. 31, 1997	Projected obligations for remainder of fiscal year 1997	Projected unobligated balance as of Sept. 30, 1997	Status
Grain Marketing Research Laboratory, Manhattan, Kans.	11.500	2.450	1.583	0.030	1.553	Last appropriation in fy 1997. Additional \$9.05 million needed; not included in fy 1998 request. Design work is scheduled for completion in fy 1997. Construction on hold until sufficient funds available. ARS anticipates using \$253,000 of the unobligated balance for design contingencies and contract closeout; the remainder--\$1.3 million--will be put toward future construction.
Southern Regional Research Center, New Orleans, La.	42.900	17.836	0.490	0.245	0.245	Last appropriation in fy 1996. Additional \$12 million needed for industrial wing; \$1.1 million requested in fy 1998 for industrial wing design. Completion of chemical wing construction expected in late fy 1998. ARS anticipates using unobligated funds for future construction contingencies and contract closeout.

Project	Total estimated cost	Total appropriation as of fiscal year 1997 ^a	Unobligated balance as of Mar. 31, 1997	Projected obligations for remainder of fiscal year 1997	Projected unobligated balance as of Sept. 30, 1997	Status
Agricultural Research Center & National Agricultural Library, Beltsville, Md.	205.000	103.417	17.462	14.337	3.125	Last appropriation in fy 1997; all appropriations to date have been for the research center. Additional \$102 million needed to complete project; fy 1998 request includes \$3.2 million for center and \$6 million for library renovations. ARS anticipates using unobligated funds for future design/construction contingencies and contract closeout.
Regional Poultry Research Center, East Lansing, Mich.	18.600	0.462	0.002	0.000	0.002	Last appropriation in fy 1993. Additional \$18.1 million needed; not included in 1998 request. Project on hold until sufficient funds available to complete design work.
Soil and Water Laboratory, Morris, Minn.	4.800	1.125	0.043	0.000	0.043	Last appropriation in fy 1992. Additional \$3.7 million needed; not included in fy 1998 request. First phase of construction completed in fy 1996; project on hold until sufficient funds available to complete construction of phases II and III. ARS anticipates using unobligated funds for future construction contingencies and contract closeout.

Project	Total estimated cost	Total appropriation as of fiscal year 1997 ^a	Unobligated balance as of Mar. 31, 1997	Projected obligations for remainder of fiscal year 1997	Projected unobligated balance as of Sept. 30, 1997	Status
Animal Health Systems Research Laboratory, Clay Center, Neb.	5.627	5.627	0.018	0.000	0.018	Last appropriation in fy 1990. No additional funds needed. Construction completed in fy 1990. ARS views unobligated funds as surplus and available for redirection.
Plum Island Animal Disease Center, Greenport, N.Y.	90.000	24.029	8.545	8.530	0.015	Last appropriation in fy 1997. Additional \$66 million needed; \$5 million requested in fy 1998. Total appropriation includes funds transferred from Animal and Plant Health Inspection Service. ARS anticipates using unobligated funds for future contingency expenses.
Greenhouse/Sugar Beet Laboratory, Fargo, N. Dak.	10.325	10.325	0.015	0.000	0.015	Last appropriation in fy 1991. No additional funds needed. The sugar beet laboratory was completed in fy 1989; the greenhouse was completed in fy 1994. ARS views unobligated funds as surplus and available for redirection.
South Central Agricultural Research Laboratory, Lane, Okla.	5.310	5.310	0.012	0.000	0.012	Last appropriation in fy 1992. No additional funds needed. Construction was completed in fy 1992. ARS views unobligated funds as surplus and available for redirection.

Project	Total estimated cost	Total appropriation as of fiscal year 1997 ^a	Unobligated balance as of Mar. 31, 1997	Projected obligations for remainder of fiscal year 1997	Projected unobligated balance as of Sept. 30, 1997	Status
Northwest Small Fruit Research Center, Corvallis, Oreg.	2.100	2.125	0.005	0.000	0.005	Last appropriation in fy 1992. No additional funding needed. Construction was completed in fy 1995. ARS views unobligated funds as being available for post-construction contingency expenses.
Eastern Regional Research Center, Wyndmoor, Pa.	39.000	13.278	4.000	0.000	4.000	Last appropriation in fy 1997. Additional \$25.7 million needed; \$5.2 million included in fy 1998 request to fund phase III and IV construction. ARS plans to put unobligated funds toward future construction.
U.S. Vegetable Laboratory, Charleston, S.C.	27.668	13.638	12.461	0.000	12.461	Last appropriation in fy 1997. Additional \$14.03 million needed; not included in fy 1998 request. Construction of phase I and design of phase II are on hold until sufficient funds are available to proceed.
Plant Stress & Water Conservation Laboratory, Lubbock, Tex.	16.100	16.103	13.365	12.797	0.568	Last appropriation in fy 1997. No additional funds needed. Construction of phase I complete. ARS plans to award phase II (laboratory/office building) construction contract in fy 1997. ARS anticipates using unobligated funds for future design/construction contingencies and contract closeout.

Project	Total estimated cost	Total appropriation as of fiscal year 1997*	Unobligated balance as of Mar. 31, 1997	Projected obligations for remainder of fiscal year 1997	Projected unobligated balance as of Sept. 30, 1997	Status
Bee & Subtropical Agricultural Research Laboratories, Weslaco, Tex.	23.857	13.149	7.774	6.688	1.086	Last appropriation in fy 1997. Additional \$15.1 million needed; not included in fy 1998 request. Bee Laboratory renovation completed in fy 1996; \$383,000 of funds appropriated for this work redirected to Subtropical Agricultural Research Laboratory. Renovation of the latter is under way. ARS anticipates using unobligated funds for future design/construction contingencies and contract closeout.
National Center for Cool and Cold Water Aquaculture, Leetown, W. Va.	12.000	7.921	7.813	1.200	6.613	Last appropriation in fy 1997. Additional \$6 million needed for construction; not included in fy 1998 request. ARS plans to award design contract in fy 1997.

Project	Total estimated cost	Total appropriation as of fiscal year 1997 ^a	Unobligated balance as of Mar. 31, 1997	Projected obligations for remainder of fiscal year 1997	Projected unobligated balance as of Sept. 30, 1997	Status
Greenhouse for Cereal Crops, Madison, Wis.	0.323	0.323	0.013	0.000	0.013	Last appropriation in fy 1993. No additional funds needed. Greenhouse construction was completed in early fy 1997. ARS anticipates using unobligated funds for post-construction contingency expenses.
Total	\$847.470	\$387.861	\$140.405	\$86.260	\$54.145	

^aTotal appropriations include primarily Building and Facilities account funds; for a number of projects, total appropriations also include Repair and Maintenance account funds and/or redirected funds from other projects, accounts, or U.S. Department of Agriculture agencies.

Source: ARS facilities and budget staff and agency documents.

**FUNDING AND STATUS OF MAJOR CONSTRUCTION PROJECTS ADMINISTERED
BY THE ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS).
FISCAL YEAR 1997**

(Dollars in millions)

Project	Total estimated cost	Total appropriation as of fiscal year 1997	Unobligated balance as of Mar. 31, 1997	Projected obligations for remainder of fiscal year 1997	Projected unobligated balance as of Sept. 30, 1997	Status
National Plant Germplasm Quarantine Center, Beltsville, Md.	\$32.000	\$25.000	\$21.236	\$19.236	\$2.000	Last appropriation in fy 1993. Additional \$7 million needed to complete phase III construction; not included in fy 1998 budget request. Sufficient funds on hand for design and construction of first two phases and design of phase III. Construction delayed several years because of environmental issues. APHIS expects to receive environmental clearance during the Spring of 1997

Project	Total estimated cost	Total appropriation as of fiscal year 1997	Unobligated balance as of Mar. 31, 1997	Projected obligations for remainder of fiscal year 1997	Projected unobligated balance as of Sept. 30, 1997	Status
Screwworm Research Facility, Darien Gap, Panama	59.000 - 124.000	0.500	0.500	0.000	0.500	Last appropriation in fy 1993. APHIS' role limited to design and environmental studies; no additional appropriated funds needed. Uncertainties remain regarding the source of construction funding to be obtained by U.S.-Panamanian Commission. Project currently on hold; APHIS anticipates using unobligated balance for design and environmental studies in fy 1998.
Methods Development Rearing Facility, Mission, Tex.	0.672	0.672	0.672	0.000	0.672	Last appropriation in fy 1994. No additional funds needed. Project on hold pending possible resiting to Phoenix, Ariz., to consolidate development of cotton pest control methods in one location.

Project	Total estimated cost	Total appropriation as of fiscal year 1997	Unobligated balance as of Mar. 31, 1997	Projected obligations for remainder of fiscal year 1997	Projected unobligated balance as of Sept. 30, 1997	Status
National Wildlife Research Center, Ft. Collins, Colo.	30.000	12.000	0.000	0.000	0.000	Last appropriation in fy 1996. Additional \$18 million needed; not included in fy 1998 request. Design is complete and project is planned for construction.
Predator Research Building, Logan, Utah	0.793	0.793	0.053	0.053	0.000	Last appropriation in fy 1993. No additional funding needed. Construction will be completed 1997.
Total	\$122.465- 187.465	\$38.965	\$22.461	\$19.289	\$3.172	

Source: APHIS facilities and budget staff and related agency documents.

COMMENTS FROM THE U.S. DEPARTMENT OF AGRICULTURE

Note: GAO's comments supplementing those in the letter appear at the end of this enclosure.



United States
Department of
Agriculture

Office
of the
Secretary

Office of Budget
and Program
Analysis

Washington,
D.C.
20250

APR 25 1997

Mr Robert A. Robinson
Director, Food and Agriculture Issues
Resources, Community and
Economic Development Division
U.S. General Accounting Office
Washington, D.C. 20548

REF: GAO/RCED-97-135R

Dear Mr. Robinson:

Thank you for the opportunity to review the Draft GAO Report on Potential Rescissions and Reductions to USDA's FY 1997 Appropriation and FY 1998 Budget Request. We have reviewed your recommendations and are providing our comments on the enclosed paper. We appreciate the opportunity to provide our comments on this Report and are available to meet with your staff to discuss these comments in further detail.

Sincerely,

Stephen B. Dewhurst
Director

Enclosure

UNITED STATES DEPARTMENT OF AGRICULTURE
 Responses to GAO's Draft Report (RCED-97-135R)
 Analysis of Budgets Fiscal Years 1997-98

GAO's draft report examines selected programs and projects in the U.S. Department of Agriculture's appropriations for Fiscal Year (FY) 1997 and budget request for FY 1998. The objectives are to identify potential rescissions to the FY 1997 appropriations and potential reductions to the budget request for FY 1998.

Food Stamp Program (FSP). The Report recommends rescinding \$3 billion projected to be unobligated by the end of FY 1997 and reduce the FY 1998 budget request by the \$2.5 billion contingency request.

See comment 1.

The Welfare Reform legislation made a number of changes to the FSP. The USDA estimate of the impact of the Welfare Reform legislation should be viewed with a note of caution. For example, it is difficult to predict how many states will request waivers for the new employment requirements for unemployed able-bodied adults without dependents. Since meeting with representatives of your office, 40 States and the District of Columbia have requested waivers. We are in the process of preparing estimates of the effect of the waivers we have approved; and it appears that more of the caseload may be exempt from the new employment requirements than was assumed in the budget. As a result, food stamp benefit costs may be greater for this group than was assumed in the budget.

Another provision of the Welfare Reform legislation deals with the eligibility of legal immigrants. This has been implemented somewhat differently than assumed in the budget. States have received waivers to extend the certification period for legal immigrants receiving food stamps, delaying the eligibility to late in the year. This will increase the Food Stamp benefit costs.

In addition, an unanticipated effect of the Welfare Reform legislation is an increase in the demand for Food Stamp Program employment and training services.

See comment 2.

The contingency funds are not used unless they are needed. The benefit reserve serves as insurance protecting the program's ability to get food to people who need it in the event of unforeseen changes in the economy. The contingency fund ensures that if such growth would occur, the funds would be readily available. Without the contingency fund, the Administration would need to request and the Congress would need to appropriate additional funds and thus raising the possibility that the time required for such action would cause a reoccurrence of the disruptions of the early 1990's. Under current law the Secretary is required to submit monthly reports and state whether supplemental appropriations are needed to support the program. If additional funds are needed, then not later than 60 days after such report the Secretary is to take steps to reduce allotments to food stamp participants.

See comment 3. Footnote 3 on page 4 of the report should be deleted. This redirection has not been submitted to or cleared by the Administration as of this date.

Census of Agriculture. The Report recommends a reduction or deferral of up to \$1.2 million in the FY 1998 request. The Report notes that these savings are attributable to "lower than expected printing costs"

See comment 4. The savings appear to be overstated and it is erroneous to assume that savings in one projected cost category results in an unobligated balance for the Census of Agriculture appropriation at the conclusion of the fiscal year. Other categories could come in over projections or unexpected costs not included in the initial cost projections could occur. For example, the agency is now committed to increasing the coverage of Native American and minority farm operators in the upcoming Census of Agriculture due to new policy guidance. To achieve better coverage of minority and Native American farms will require additional work to build the census mail list. It is estimated that this work will cost approximately \$375,000 in FY 1997. The agency met with Puerto Rican officials and had pledged to maintain the Puerto Rican farm definition of \$500 in annual farm sales, something that the Census Bureau had not budgeted for since they planned to make the Puerto Rican farm definition the same as that in the U.S., and process those census forms under the same system as the rest of the census. This will cost NASS an estimated additional \$150,000, not including the reallocation of staff resources to the project. Neither of these two items were included in the budget.

Major Construction Projects Administered by Agricultural Research Service and Animal and Plant Health Inspection Service. The Report recommends a rescission of up to \$31 million of unobligated funds associated with projects either on hold or with surplus funds.

-- The GAO Report noted two projects whose design and/or construction is on hold due to unresolved environmental issues that could lead to the selection of a new construction site

See comment 5. ARS, National Swine Research Center, Ames, Iowa (\$2 million). GAO categorized this amount as being "on hold due to unresolved environmental issues," (page 6) and was identified for possible rescission. The \$2 million is not on hold but is required for construction phase contingencies as well as for the planning and design of the Farm Complex portion of the swine facility.

See comment 6. APHIS, National Plant Germplasm Quarantine Center. This Center is not on hold and has been designed and is undergoing design review. The agency is expecting final environmental clearance during the Spring of 1997. The design is being developed for a Beltsville, Maryland site, and siting is not an option for this facility.

- See comment 7. -- ARS, Hurricane Andrew/Iniki Repair Projects (\$10.7 million). This amount was categorized by GAO as "surplus funds which the agency plans to redirect for other purposes." As originally planned, these funds will be used for the restoration of the Subtropical Horticultural Research Laboratory at Miami, Florida. The status section of Enclosure I of the GAO Report does accurately reflect how the agency plans to use these funds.
- See comment 8. -- ARS, National Center for Cool and Cold Water Aquaculture, Leesport, West Virginia. The status section of Enclosure I of the GAO Report indicates that an additional \$4 million is required for the full construction costs of this facility. The actual amount required is \$6 million.
- See comment 9. -- APHIS, Methods Development Rearing Facility, Mission, Texas. In the status section of Enclosure I of the GAO Report, change the phrase "pest research" to "pest methods development".
- See comment 10. -- APHIS, Screwworm Research Facility. The GAO Report states that the Screwworm Research Facility is on hold. This facility is not on hold. The status reported in Enclosure I of the GAO Report indicates that APHIS is simply planning the facility. The Department of State issues have been resolved and APHIS is allowed to move 5 people to Panama to begin Screwworm eradication activities. APHIS will use carryover funds to conduct design and environmental studies for the facility in 1998; the location issue is resolved; and the source of construction funding is being addressed by the U.S.-Panama Commission.
- See comment 11. -- In the status section of Enclosure II of the GAO Report under the column labeled "Unobligated balance as of March 31, 1997", the figures reflected for the APHIS facilities represent unobligated balances as of February 1, 1997. The figures should be revised as follows: (1) National Plant Germplasm Quarantine Center (\$21.236 thousand); (2) National Wildlife Research Center (\$0); and Predator Research Building (\$53 thousand).

Strategic Space Plan. The Report recommends a reduction or deferral of \$5 million for the project in FY 1998 due to the fact that about \$19 million is expected to remain unobligated at the end of FY 1997. The Report stated that USDA did not consider the availability of these funds in formulating the FY 1998 Budget request.

- See comment 12. The Department recognizes that some planned obligations could "slip" until FY 1998. However, the completion of the Beltsville Office Facility and of Phase I of the Modernization of the South Building are both necessary and all funds appropriated are needed to implement these projects. Construction of the Beltsville Facility is scheduled for completion in December 1997, and design of Phase I of the South Building Modernization, which began on January 17, 1997, is proceeding quickly with completion scheduled by August 1997.

The South Building Modernization is a long term program presently planned in eight primary phases to upgrade the 60-year-old South Building. Modernization of the South Building is also crucial to the Washington Strategic Space Plan to consolidate USDA agencies into two government-owned facilities, releasing approximately 18 leased facilities which currently result in expenditure of about \$30 million a year for leased space. The need for \$5 million in FY 1996 does not depend on awarding all prior funds by September 1997. The \$5 requested in FY 1998 is needed in addition to current appropriations, in order to make continued progress on the modernization

The following are GAO's comments on the U.S. Department of Agriculture's (USDA) letter dated April 25, 1997.

GAO'S COMMENTS

1. While USDA called attention to some uncertainties in Food Stamp Program costs for fiscal year 1997 and identified reasons why costs may be greater than it had originally anticipated, it did not estimate what these additional costs will be or provide a revised estimate of the excess budget authority that will be returned to the U.S. Treasury at the end of the year. We recognize that some cost categories associated with the Food Stamp Program may come in over budget; however, other cost categories may come in under budget. In addition, in developing its original estimate of excess budget authority, USDA made technical adjustments (i.e., reductions) totaling \$430 million for anticipated waivers and exemptions to the new employment requirements contained in the welfare reform act. Thus, in the absence of new cost information from USDA, we continue to believe that a rescission of up to \$3 billion in budget authority currently available to the Food Stamp Program may be possible.
2. We continue to believe that a reduction of up to \$2.5 billion to USDA's fiscal year 1998 budget request for a Food Stamp Program contingency fund may be possible because (1) program participation has steadily declined since fiscal year 1994, (2) contingency funds have not been needed to meet program caseload since fiscal year 1992, (3) more than \$2 billion per year in program budget authority was returned to the U.S. Treasury during fiscal years 1993 through 1996, and (4) economic conditions remain favorable—average monthly unemployment for the first 7 months of fiscal year 1997 was at one of the lowest levels in the last 25 years and inflation in food costs continues to be low.
3. Deleted in final report.
4. We recognize that some cost categories associated with the Census of Agriculture could come in over budget; however, other cost categories could come in under budget, as was the case with the printing contract for the census form. At the time of our review, we based our conclusions on the best information that USDA had available on planned expenditures for the agriculture census for fiscal year 1997. However, we included the new specific information on planned expenditures that USDA provided in its comments in the final report, and, as a consequence, we revised our estimate of the potential reduction that may be possible to USDA's budget request for fiscal year 1998 from \$1.2 million to \$675,000.
5. Although one phase of the National Swine Research Center's construction is currently ongoing, this work will be completed before the end of fiscal year 1997. The other

phase--construction of a farm complex--is not expected to begin in fiscal year 1997, and the starting date for this work remains uncertain in light of unresolved environmental, siting, and legal issues. Because the construction work on this project will stop before the end of fiscal year 1997, we view this project as being on hold with respect to the funds expected to remain unobligated at the end of fiscal year 1997. Consequently, we continue to view these funds as potentially available for rescission.

6. The construction of the first two phases of the National Plant Germplasm Quarantine Center has been delayed several years because of unresolved environmental issues. At the time of our review, these issues were still unresolved and planned construction work was at a standstill. Nevertheless, we amended the final report to reflect USDA's comment that the outstanding environmental issues delaying this project may soon be resolved. However, until these long-standing issues are actually settled, the project will remain on hold. Therefore, we have not changed our view that the project funds expected to remain unobligated at the end of fiscal year 1997 could be considered for rescission.

7. The funds for the Hurricane Andrew/Iniki Repair Project were originally appropriated in 1992 for the restoration of facilities destroyed or damaged by natural disasters such as Hurricanes Andrew and Iniki and Typhoon Omar. USDA's current plans for these funds include not only additional hurricane-related repairs at its Subtropical Horticultural Research Laboratory in Miami, Florida, but also the renovation of old buildings and new construction at this facility. Although USDA did not provide a breakdown of the funds to be used for repairs, renovation, and new construction, Department officials have indicated that most of the remaining unobligated funds will be used for renovation and new construction. The use of these funds for these latter purposes appears to represent a redirection of the funds from the purpose for which they were originally appropriated--restoration necessitated by natural disasters. Thus, we categorized these funds as "surplus funds that the agency plans to redirect for other purposes." We have previously addressed a similar redirection of funds appropriated for the repair of damage caused by Hurricane Iniki at U.S. Fish and Wildlife Service facilities (GAO/RCED-94-132R, Apr. 18, 1994).

8. Change made in final report.

9. Change made in final report. Specifically, we changed the wording to "development of pest control methods" after consulting with USDA.

10. We amended the final report to reflect USDA's plan to eventually use the unobligated funds associated with the Screwworm Research Facility project for design work and associated environmental studies. However, design and construction work on this project is currently at a standstill and is not expected to begin until fiscal year 1998. Thus, this project remains on hold and we have not changed our view that the project funds

expected to remain unobligated at the end of fiscal year 1997 could be considered for rescission.

11. As requested, we made these changes, which reflect additional obligations made for these projects between February 1, 1997, and March 31, 1997. In light of this updated information, we also made adjustments to the column reflecting projected obligations for the remainder of fiscal year 1997, as appropriate, after consulting with USDA.

12. In response to USDA's comments on the Strategic Space Plan project, we deleted the section of the report dealing with this construction project.

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