



U.S. Senate Committee on Appropriations

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U.S. Senate Appropriations Agriculture, Rural Development, FDA, and Related Agencies Subcommittee

Testimony of U.S. Secretary of Agriculture Mike Johanns

WASHINGTON, D.C. . The U.S. Senate Appropriations Agriculture Subcommittee on Tuesday held a hearing to examine the Fiscal 2008 budgets for the U.S. Department of Agriculture and the Food and Drug Administration. As part of that hearing, the subcommittee heard testimony from Agriculture Secretary Mike Johanns. Mr. Johanns' prepared testimony is below.

Mr. Chairman and distinguished members of this Committee, I am pleased to appear before you to discuss the fiscal year (FY) 2008 budget for the Department of Agriculture (USDA).

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

It is a pleasure to come before the Committee to discuss U.S. agriculture and our efforts to make it stronger. I want to thank the Committee again this year for its support of USDA and for the long history of effective cooperation between this Committee and the Department in support of American agriculture. I look forward to working with you, Mr. Chairman, as well as the other Members to make progress on these issues during the 2008 budget process and to ensure strong programs for our Nation's farm sector and many other USDA programs.

Over the past year, USDA has worked with and heard from people throughout the Nation about the importance of agriculture to the economy and the everyday life of all Americans. I am happy to report that we have made much progress in meeting the needs of the Nation, improving the rural economy, and strengthening U.S. agriculture. I would like to point out that:

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

" Renewable energy production has grown dramatically and is contributing to the energy security of the United States as well as improving the farm economy.

" Utilizing \$91 million in emergency supplemental funding, USDA significantly increased its efforts to prepare for a potential influenza pandemic and participated in the worldwide effort to stop the spread of the H5N1 virus overseas.

" We are making considerable progress in ensuring the safety of meat, poultry, and egg products. Recalls of meat and poultry and processed egg products have been cut in half during the last four years due to improved oversight and the downward trend is continuing.

" U.S. agricultural exports again reached a record level in 2006, and are forecast to set another record in 2007. The 2007 forecast level represents an increase of more than 50 percent since 2000.

" We have continued our efforts to open new markets. During the past year, Trade Promotion Agreements were signed with Colombia and Peru, and negotiations were completed with Panama.

" We remain committed to our objective of achieving fundamental reform of agricultural trading practices through the Doha Round of multilateral trade negotiations. Although no major breakthroughs have been achieved, we are actively engaged in discussions with our trading partners on technical aspects of each of the three pillars in the agricultural area. We continue to believe a successful outcome is achievable.

" We are continuing to regain our beef export market. Markets have been reopened or maintained in the countries that closed their borders to U.S. beef products after the first detection of BSE. Recent progress has been made in such countries as Russia, Columbia, Peru, and Panama.

" We have had tremendous response to MyPyramid, and I am confident that as awareness of the importance of eating a nutritious diet and being physically active increases, so will the health of Americans.

On January 31, 2007, I announced a comprehensive set of 2007 Farm Bill proposals for strengthening the farm economy and rural America. The 2008 budget is based on the current Farm Bill. However, beginning in 2008, the budget incorporates a \$500 million increase each year in the Commodity Credit Corporation (CCC) estimates to accommodate the cost of new Farm Bill proposals to be allocated among the various titles of the bill.

2008 Budget

The President and the Congress are facing many challenges. The President's 2008 budget meets these challenges by funding our highest, most important priorities, while exercising the fiscal discipline that is absolutely necessary to achieve the President's goals of strengthening the economy and balancing the budget.

Today, I will be focusing on the proposals contained in the 2008 budget. Let me take a moment to briefly point out how this budget supports our highest priority programs -- programs that achieve results. This budget:

- " Fulfills our commitment to reduce trade barriers and expand overseas markets;
- " Supports the President's vision for energy independence by significantly increasing funding for biofuels;
- " Continues programs vital to the protection of agriculture from disease, pests, and human threats, including avian influenza and BSE;
- " Supports policies that ensure Americans continue to enjoy a safe and wholesome food supply;
- " Provides sufficient resources to fully fund expected participation and food cost inflation in our major nutrition assistance programs;
- " Enhances the environment by providing a record level of funding to enroll a record number of acres into conservation programs;
- " Builds a strong rural economy by supporting policies that enhance job creation, improve rural infrastructure, and increase homeownership opportunities; and
- " Supports on-going basic and applied sciences that provide the technology and information necessary for the development of innovative solutions facing American agriculture;

USDA also shares the responsibility of controlling Federal spending. This means doing more with less, eliminating programs that are not getting the job done, cutting out wasteful spending, and reforming the earmark process. We are pleased that the House Joint Resolution for 2007 continuing appropriations significantly reduced USDA's earmarks, and hopes that the Committee will continue those worthy efforts. So, you will see throughout the 2008 budget proposals that terminate or reduce spending. These proposals will produce real savings in both mandatory and discretionary spending.

The President's 2008 budget, which was released on February 5, 2007, proposes to increase USDA's total budget authority from \$88 billion in 2007 to \$91 billion in 2008. For the Department's discretionary budget, the overall request is \$20 billion, about the same level as in 2007 level. The discretionary appropriation request pending before this Committee, which does not include the Forest Service, is \$16 billion.

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

Pathogenic Avian Influenza (AI)

The infrastructure developed in response to outbreaks of highly pathogenic AI has enabled the Department to strengthen its global leadership in combating its spread and keeping it from entering the United States. Utilizing the supplemental funding provided in fiscal year 2006, the Department has worked closely with international agencies and other countries to enhance the international capacity and technical skills necessary to keep AI at bay. Domestic efforts have built upon USDA programs that have been in place for more than two decades to prevent an outbreak of dangerous strains of AI in our country.

The 2008 budget requests a total of approximately \$82 million to continue and enhance on-going efforts related to AI, an increase of \$32 million over the amount estimated for 2007, not including supplemental funds. Of the increase, \$20 million is related to continuing activities related to highly pathogenic AI, including: surveillance and diagnostics work; preparedness and response efforts; and international veterinary capacity building. An additional increase of \$6 million is requested for the development of methods to detect AI in the environment and further AI research, including development of poultry vaccines. Another \$6 million increase is requested to expand activities related to the on-going program for low pathogenic AI. Low pathogenic AI is of concern for its potential costs to the poultry industry and potential ability to mutate into highly pathogenic AI.

Food and Agriculture Defense Initiative

USDA continues to be vigilant in ensuring the safety of agriculture. The Department is a strong partner in the Administration's efforts to prepare for any potential bioterrorist attack. We have established effective working relationships with other Federal agencies to ensure an appropriate Government response to a wide array of threats.

To protect American agriculture and the food supply from intentional terrorist threats and unintentional introductions, the budget proposes \$341 million for USDA's part of the President's Food and Agriculture Defense Initiative. Funding for ongoing programs is \$325 million, an increase of nearly \$148 million from the 2007 level. Of the total amount for on-going programs, an increase of about \$36 million for Food Defense would enhance the Food Safety and Inspection Service's (FSIS) ability to detect and respond to food emergencies and for USDA research agencies to conduct related research. For Agriculture Defense, the budget includes an increase of about \$39 million for research on emerging and exotic diseases to, among other things, improve animal vaccines and facilitate rapid response to agricultural threats. An additional \$72 million would be used to improve USDA's ability to safeguard the agricultural sector through enhanced monitoring and surveillance of pest and disease threats, improved response capabilities, and other efforts, such as an expansion of the National Veterinary Stockpile.

In order to keep USDA in the forefront of avian disease research, the budget requests an increase of \$16 million for planning and design of the Consolidated Poultry Research Facility in Athens, Georgia. This facility is critically needed to conduct research on

exotic and emerging avian diseases that could have devastating effects on animal and human health.

Food Safety

Americans enjoy one of the safest food supplies in the world. Data from the Centers for Disease Control and Prevention shows improvements based on historical reductions in the incidence of foodborne illness. The continued reduction in illnesses from pathogens associated with the consumption of meat, poultry, and egg products is a tremendous success story. These results demonstrate that we are moving in the right direction. USDA is committed to continuing this positive trend in the future. We will continue to pursue the development and implementation of risk-based inspection systems that are grounded in science. These systems will make us smarter about where we focus our resources and our expertise to make the most difference.

The 2008 budget requests record funding of nearly \$1.1 billion, an increase of \$104 million over 2007, for FSIS to protect the Nation's supply of meat, poultry and egg products. This includes \$930 million in appropriated funds. About 80 percent of the increase in funds is for pay, including monies required for Federal and State inspection programs to meet the demand for inspection services. The budget requests an increase of \$21.7 million to expand the Food Emergency Response Network (FERN) and strengthen food and agriculture defense. With this funding, FSIS will continue to develop the network of food laboratories and the result will be an increase in the capability of a network of coordinated Federal, State and local laboratories to handle large volumes of testing that would be needed for biosurveillance or in the event of a widespread food emergency.

The budget estimates that \$135 million in existing user fees for voluntary inspection will be collected. For 2008, we will be submitting authorizing legislation to Congress to collect an additional \$96 million in user fees. The budget does not assume the use of these fees. Discretionary funding to cover the total cost of the program is included in the request. This includes legislation to authorize a licensing fee to collect \$92 million from meat, poultry, and egg products establishments. In addition, it would also authorize the agency to recover \$4 million for the cost of providing additional inspection services from establishments as a result of performance failures, such as sampling violations, recalls, or an outbreak of foodborne illness.

Energy

Another priority for the Department and the Administration is a continued focus on expanding renewable energy. I sit before you today with the belief that renewable energy, supported by American agriculture and forestry, holds tremendous potential for the Nation's future. We are starting to see that the benefits of renewable energy are far-reaching and will continue to grow as energy production from renewable sources continues to expand in the near future. Renewable fuels reduce our dependence on foreign oil, which contributes to our Nation's security. Renewable fuels are

environmentally friendly and produce fewer emissions of greenhouse gases than fossil fuels. Furthermore, renewable fuels are often produced in rural areas, providing a source of income for farmers, ranchers and rural Americans.

USDA is committed to ensuring that renewable fuels production continues to help meet the Nation's energy and security needs. The budget includes \$396 million, an increase of \$161 million, for the Department's energy initiatives. Part of USDA's commitment is demonstrated through research activities. The 2008 budget includes \$70 million, an increase of \$29 million, for energy research supported by ARS and CSREES. A majority of this research will focus on improving cellulosic ethanol production by improving feedstock growth potential and introducing new ways to harvest, handle, and transport the feedstock to production facilities. In addition, USDA is working to improve the conversion efficiency of biomass feedstocks into biofuels and bioproducts. This research will lead to new opportunities to expand renewable fuel's potential to meet the Nation's energy needs, while creating significant opportunities for farmers, ranchers, and rural communities.

In addition to this research, the budget would make available nearly \$320 million in grants, guaranteed loans, and other efforts to support the commercialization of renewable energy production. Through the Rural Development mission area, USDA is making financial support available to leverage private sector funding for small and large-scale, renewable energy generation activities. This financial support provides incentives for individuals and cooperatives to choose renewable energy production methods. USDA has also encouraged the development of various renewable energy projects, including ethanol plants and wind farms. We remain committed to expanding these opportunities to improve the Nation's energy security and environment, while providing additional possibilities to U.S. agricultural and rural communities.

Farm Commodity and Agriculture Credit Programs

Rising crop prices, particularly for corn, has had a major impact on farm program costs, which is due to the rapid growth in ethanol production. As a result, farmers are relying more on the market for revenue rather than payments from the Government. As such, net outlays for the farm commodity programs funded through the Commodity Credit Corporation (CCC) are expected to decline significantly in 2007 and 2008 as rising prices for corn and other major commodities are reducing outlays. Compared to estimates made when the 2002 Farm Bill was enacted, actual spending for CCC funded programs, which excludes some conservation programs, has been about \$17 billion below the 2002 projections when ad hoc disaster assistance is excluded. Beginning in 2008, the budget incorporates a \$500 million increase each year in the CCC estimates to accommodate the cost of the new Farm Bill proposals. This additional funding will be spread among various titles of the Farm Bill.

USDA's farm credit programs provide an important safety net for farmers by providing a source of credit when they are temporarily unable to obtain credit from commercial sources. The 2008 budget supports about \$3.4 billion in direct and guaranteed farm

loans. The 2008 budget proposes loan levels that generally reflect actual usage in recent years.

The budget requests \$1.5 billion for the Farm Service Agency to deliver farm programs. This level of funding will support approximately the same number of staff years as in 2007 and includes the funding to support ongoing operational needs based on current programs and the current delivery system. Once the parameters of the new Farm Bill are known, we may need to re-evaluate resource needs for program implementation, including staffing and information technology (IT).

Crop Insurance

Crop insurance is designed to be the primary Federal risk management tool for farmers and ranchers. In 2008, crop insurance is expected to provide coverage for nearly \$68 billion in risk protection, double the amount of coverage provided as recently as 2000. This growth has been accomplished, in part, through the development of new and innovative plans of insurance. These innovations have expanded coverage to new crops or improved the coverage available under existing policies.

Over the years, Congress has challenged USDA to expand the availability of crop insurance to under-served commodities, in particular, to livestock and pasture, rangeland, and forage. I am happy to say that USDA is meeting that challenge. Currently, the crop insurance program offers protection for swine, fed cattle, feeder cattle; and, new for 2007, lamb. Also new for 2007, the crop insurance program is offering two innovative programs covering pasture, rangeland, and forage.

In order to build on these successes, Risk Management Agency's (RMA) aging information technology (IT) system needs to be modernized. The existing IT system has been in service for more than a decade and needs to be upgraded to address evolving programmatic needs. That system was designed for a much smaller and simpler program. As a result, RMA must use numerous manual over-rides and work-arounds to support the new insurance products. This manual intervention increases the costs to maintain and operate the system. It also increases the risk of data errors that could jeopardize the integrity of the crop insurance program. The 2008 budget includes a legislative proposal to initiate a small participation fee in the Federal crop insurance program to fund modernization and maintenance of a new IT system. The fee would generate about \$15 million annually, which would initially supplement the annual appropriation to modernize the IT system. However, in future years, the fee would replace appropriated funding for IT maintenance.

In addition, the 2008 budget includes about \$79 million in discretionary funding to administer the Federal crop insurance program, compared to about \$76 million for 2007. The increase would accommodate pay costs and inflationary increases. The budget also includes a general provision to fund data mining and the common information management system through the crop insurance mandatory account.

International Programs

Expanding access to global markets is essential for U.S. food and agricultural products, and plays a critical role in our efforts to provide a prosperous future for America's farmers and ranchers. In this regard, we must ensure that our producers and exporters have the tools they need to compete for a greater share of the benefits flowing from trade agreements and the resulting expansion in global markets.

Our 2008 budget proposals support our continued commitment to trade expansion activities. Increased funding is provided for the Foreign Agricultural Service (FAS) to maintain its overseas office presence and continue its representation and advocacy activities on behalf of American agriculture.

The FAS budget includes funding to restore the Cochran Fellowship Program to its traditional annual appropriated level of \$5 million and also provides funding for FAS trade capacity building activities. Those activities assist developing countries to strengthen their agricultural policy making and regulatory systems adhere to internationally recognized standards and become better trading partners. By assisting them to adopt policies that meet World Trade Organization standards and adopt regulatory systems that are transparent and science-based, we improve access for U.S. products to their markets.

For the foreign food assistance programs, the budget continues to place the highest priority on meeting emergency and economic development needs of developing countries. Appropriated funding for the McGovern-Dole International Food for Education and Child Nutrition Program is increased to \$100 million, which will allow USDA to extend school feeding and educational benefits to about 2.5 million women and children during 2008. The program is helping children in countries with severe educational and nutritional needs. In recent years, more than 13 million children throughout the world have received benefits from the McGovern-Dole program and its predecessor, the Global Food for Education Initiative.

In order to respond to emergency food needs during 2007, supplemental appropriations of \$350 million are being requested for the P.L. 480 Title II donations program. The additional funding will be used to address urgent humanitarian needs in the Darfur region of Sudan, including for refugees and others in Chad and surrounding areas who are affected by the violence. The funding will also assist in meeting other critical food needs, particularly in the Horn of Africa, southern Africa, and Afghanistan.

For 2008, the budget requests appropriated funding of \$1.2 billion for the P.L. 480 Title II program, which is expected to support the donation of 2.5 million metric tons of food commodities. In addition, to help improve the timeliness, efficiency, and effectiveness of the U.S. Government's response to emergency situations, increased flexibility is requested in the purchasing of Title II commodities.

In addition, the budget requests funding in the Office of the Secretary to support the Department's efforts to assist in agricultural reconstruction activities in Afghanistan and Iraq. USDA is providing technical advisors assigned to the Ministry of Agriculture in Iraq who are assisting in agricultural planning, extension, and food safety and inspection. Other agricultural advisors are serving on the Provincial Reconstruction Teams (PRTs) working in the rural provinces of Afghanistan and Iraq on activities such as irrigation system rehabilitation, post-harvest loss reduction, marketing system improvements, and livestock health. These advisors are providing much needed, valuable assistance in addressing a wide range of problems brought on by years of neglect and mismanagement in the agricultural sectors of these two countries.

Conservation

USDA also fosters environmental stewardship through conservation programs supported with mandatory CCC funding. The 2008 budget reflects an unprecedented commitment to conservation and includes nearly \$4 billion in mandatory funding to provide conservation financial and technical assistance on a cumulative total of 215 million acres, the greatest amount of conservation assistance provided in the Nation's history.

Within the total amount of mandatory funds, the budget proposes over \$455 million for the Wetlands Reserve Program (WRP), an increase of \$191 million, or nearly 72 percent over 2007. The projected WRP enrollment for 2008 would be the largest ever, involving up to 250,000 acres, and will bring the total acreage enrolled in the program to 2,275,000 acres, the maximum level authorized by the 2002 Farm Bill. The WRP is the principal supporter of the President's goal to restore, protect, and enhance 3 million acres of wetlands by 2009.

The Conservation Reserve Program (CRP) accounts for more than half of the mandatory funds with total funding of just over \$2 billion. Enrollment in CRP is expected to decline by about 9 percent to 33.6 million acres in 2008. Although continuous sign-ups will be maintained, no general signups are assumed for 2007 and 2008 due to the increase in corn production to meet the demand for ethanol. Funding for the Environmental Quality Incentives Program will be maintained at \$1 billion to treat more than 170 million acres in 2008. The budget requests an increase of \$57 million for the Conservation Security Program for total funding of \$316 million. This level of funding will continue support to the more than 19,000 contracts signed in prior years.

The 2008 budget includes \$825 million in discretionary funding for on-going conservation work, a decrease of \$94 million below the 2007 level. This level of funding supports programs that provide the highest quality technical assistance to farmers and ranchers and address the most serious natural resource concerns. The budget includes a proposal to reduce the number of Federal coordinator positions funded under the Resource Conservation and Development (RC&D) program, for a savings of \$36 million. Under this proposal, the number of authorized RC&D areas would be

maintained at the current level of 375, but coordinators would provide assistance to multiple areas by focusing on programmatic oversight.

Rural Development

Through Rural Development (RD) programs, USDA improves the economy and quality of life in all of rural America by supporting essential housing and public facilities, such as water and sewer systems, health clinics, and electric and telecommunication systems. In addition, RD promotes economic development by providing guaranteed loans to businesses in coordination with the private sector.

The 2008 budget supports \$14.9 billion for the RD programs. This is about \$985 million more than the amount estimated to be available for 2007. At the requested level, most key rural development programs would be maintained at their historic operating levels.

The 2008 budget does, however, contain some important changes in policy and funding priorities. In particular, the 2008 budget significantly increases funding for single-family guaranteed loans. Guaranteed loans, which are unsubsidized, have accounted for almost all of the growth in USDA's homeownership assistance. Due to the success of guaranteed single-family loans in meeting the needs of rural citizens, the budget does not include funding for direct single-family loans, a reduction of nearly \$1.2 billion. While not funding direct loans is a change in policy for USDA, it is consistent with Federal housing policy as reflected in the programs administered by the Departments of Housing and Urban Development and Veterans Affairs. Moreover, it reflects recent changes in the home mortgage market that allow more low-income families to qualify for private sector loans. USDA's single family guaranteed program is expected to provide 39,000 homeownership opportunities in 2008.

With regard to multi-family housing, the 2008 budget includes \$567 million for rental assistance payments. This funding is needed to provide for a higher rate of renewals due to recent action to reduce the renewal period from five to one year. The 2008 budget also includes \$27.8 million to continue the Administration's initiative to revitalize USDA's portfolio of multi-family housing projects, which are home to close to half a million low-income families. A recent Supreme Court decision allows project sponsors to prepay their loans and convert their projects to uses other than low-income housing, putting tenants at risk of higher rents and potential loss of housing. The Administration's initiative includes providing housing vouchers to protect the rents of tenants of projects that are withdrawn from the portfolio, as well as the restructuring of existing loans in exchange for the project sponsor's agreement to stay in the program and make improvements to their projects. A pilot program, as authorized by the 2006 Appropriations Act is already underway. The Administration plans to resubmit to the Congress draft legislation to authorize debt restructuring and other revitalization incentives.

For the on-going electric and telecommunications programs, the 2008 budget supports about \$4.8 billion in direct loans, of which \$4.1 billion would be for the electric programs.

Most electric loans would be at interest rates that are currently comparable to the direct municipal and direct Treasury rate programs. Combined, these programs would simplify the overall program with essentially no adverse impact on borrowers. The electric program would focus on financing the distribution and transmission of power and the improvement of existing generation facilities. The commercial sector should be relied on for financing new power generation.

For the water and waste disposal program, the 2008 budget provides for \$349 million in grants and almost \$1.1 billion in direct loans. This reflects a lower grant-to-loan ratio than the current program because the Administration is re-proposing its plan to reduce interest rates in exchange for a reduced amount of grants. For most rural communities, which receive a combination of loan and grant assistance, the reduction in interest rates would be of greater benefit because it would reduce the overall debt servicing costs of their projects.

The 2008 budget includes additional funding for the renewable energy and energy efficiency loan and grant program. It includes \$15 million for grants and supports \$195 million in guaranteed loans, compared to \$11 million for grants and \$175 million in loans estimated to be available for 2007.

The business and industry guaranteed loan program would be increased to \$1 billion, which is the historic funding level for this program. This program and the intermediary re-lending program have been an important source of job creation in rural communities.

Research

Over the last century, productivity has been a major focus of agricultural research. Driven by advances in plant and animal genetics, nutrition, and health, this research has paid off with major gains. Agricultural research is taking on the challenges of a new century and USDA's leadership will continue through innovative research in bioenergy production, obesity prevention, and food and agricultural defense.

Advances in science have opened new frontiers in agricultural research that have put solutions to national challenges within our reach. It is important that we seize the opportunity by focusing our resources and efforts on the highest priority work relevant to the needs of producers and consumers of agricultural products. Our budget requests over \$1 billion for the Agricultural Research Service. The proposed level includes \$104 million in increases for high priority research on food and agricultural defense, bioenergy, plant and animal genomics and genetics, and human nutrition and obesity prevention. These lines of investigation have great potential to benefit producers and consumers; assure an abundant, safe, and inexpensive supply of food; and ensure the preservation of our natural resource base. The budget proposes elimination of \$293 million of earmarked research and facility projects in ARS.

A key factor in the success of agricultural research has been our continuing partnership with the land-grant universities and other performers of agricultural, natural resource

and food research. These institutions provide a unique set of expertise in the range of scientific disciplines needed to address complex issues facing the food, agriculture and natural resource communities. Further, these partnerships foster the transfer of knowledge through higher education and the unique system of Extension that has been so successful in America. Our budget continues our support for university-based research, higher education and extension programs and addresses the need to focus those resources on the highest priorities. Under our proposal we are placing a greater emphasis on merit-based, peer-reviewed grants to achieve the highest quality research from taxpayer dollars. In addition, \$157 million of earmarked Cooperative State Research, Education, and Extension Service research grants and lower priority projects would be eliminated.

A major element of the research budget is an increase of \$68 million, for total funding of \$257 million, for the National Research Initiative -- the Nation's premier competitive, peer-reviewed research program for fundamental and applied sciences in agriculture. This increase includes funding for bioenergy and biobased fuels, one of the Department's highest priority initiatives. It also supports integrated projects that focus on water quality, food safety, organic transition, and pest management. In total, \$29 million would be added to CSREES programs for research in bioenergy.

A longstanding part of USDA support for the university research partnership has been through the Hatch Act and McIntire-Stennis Act formula grant programs. As stated above, the budget continues funding for these programs with a proposal to emphasize funding for competitively awarded multi-state research programs to ensure the highest quality research proposals are supported. We will be working in close consultation with our university partners to craft the details of these modifications.

The budget includes an increase of \$25 million to support the 2007 Census of Agriculture, the most comprehensive source of statistically reliable information regarding our Nation's agriculture. With information collected at the national, State, and county levels, the Census provides invaluable, comprehensive data on the agricultural economy which are relied upon to keep agricultural markets stable and efficient.

Nutrition Assistance

The budget contains sufficient resources to fully fund expected participation and food cost inflation for the Department's three major nutrition assistance programs -- Food Stamps; Women, Infants and Children (WIC); and Child Nutrition. Participation levels fluctuate with economic conditions and the budget keeps pace. WIC participation is expected to grow slowly in 2008 to a total of 8.3 million participants, while Food Stamp participation is estimated at 26.2 million, roughly the 2007 level. School Lunch participation is estimated to grow about 2 percent to keep pace with the growing student population, as it has in recent years, to a new record level of 31.5 million children per day.

For Food Stamps, legislation will be proposed that would exclude all retirement and education savings accounts from eligibility determinations regardless of how other programs treat them. By 2010, this would allow about 98,000 additional people to participate who, otherwise, would have been ineligible unless they spent down their retirement and education savings. This would add an estimated \$44 million in costs for 2008 and about \$138 million in 2010 when fully implemented. The 2008 budget also repropose legislation to restrict participation among certain households with incomes or resources above normal eligibility thresholds. Affected households are those that do not receive cash Temporary Assistance for Needy Families (TANF) benefits, but become categorically eligible for food stamps because they receive a TANF-funded service, such as a one-time referral. This change would reduce costs by an estimated \$65 million in 2008, with additional savings in subsequent years.

The WIC request provides full funding for all those estimated to be eligible and seeking services. At the same time, the Department will work with stakeholders to contain costs and continue to improve the program's performance. WIC legislative proposals include limiting administrative funding to the 2006 per participant level and limiting categorical eligibility to those with incomes under 250 percent of poverty.

The 2008 budget repropose elimination of the Commodity Supplemental Food Program (CSFP), which is not available nationwide and duplicates two of the Nation's largest Federal nutrition assistance programs . Food Stamps and WIC. Eligible women, infants and children participating in CSFP will be encouraged to migrate to the WIC Program. Eligible elderly CSFP recipients will be encouraged to migrate to the Food Stamp Program, where most are believed to be eligible. The budget includes temporary transitional benefits for CSFP participants 60 years of age or older equaling \$20 per month for the lesser of 6 months or until the recipient starts participating in the Food Stamp Program.

As I mentioned earlier, we have had a great deal of success in promoting healthy eating habits and active lifestyles with MyPyramid. The MyPyramid website has received 2.6 billion hits since it was made available in April 2005. In order to continue this success, the budget includes an increase of \$2 million to make enhancements to MyPyramid and to begin planning for the 2010 Dietary Guidelines for Americans. This supports two pillars of President Bush's HealthierUS Initiative, to eat a nutritious diet and to be physically active, and will help reduce obesity in America.

Department Management

The 2008 budget continues our progress in improving the overall management of the Department. Increased funding is being sought for selected key priorities including:

“ Replacing the Department's outdated, core financial system and supporting systems that no longer meet all Federal standards for financial reporting and management. The budget requests funding to begin a multi-year implementation of a replacement system that will provide consistency and increase efficiencies for financial

reporting across the Department. The new system will strengthen internal controls, eliminate material weaknesses, and diminish improper payments, which will improve the Department's overall financial management.

" Expanding Civil Rights compliance reviews of agency hiring practices and program activities. These reviews allow the Department to identify and address issues of inequality and unfairness in personnel decisions and the delivery of its program benefits.

" Continuing capital improvements to USDA facilities to ensure that employees and customers have a safe and modern working environment.

In closing, I want to emphasize that the USDA budget fully supports the President's goals to strengthen the economy, increase security, and restrain spending. The budget before you addresses these goals by funding our highest priorities. These funding priorities strengthen agriculture and rural economies, protect our food supply, build on our conservation efforts, and provide for the neediest individuals.

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