2014 Explanatory Notes
Risk Management Agency

Contents

RISK MANAGEMENT AGENCY

Purpose Statement

The Risk Management Agency (RMA) was established under provisions of the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act), P.L. 104-127, enacted April 4, 1996. This Act required that the Secretary establish within the Department an independent office responsible for supervision of the Federal Crop Insurance Corporation (FCIC), administration and oversight of programs authorized under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.), including delivery of program services through local offices of the Department, any pilot or other programs involving revenue insurance, risk management savings accounts, or the use of the futures market to manage risk and support farm income that may be established under the Federal Crop Insurance Act, as amended, or other law, and such other programs as the Secretary considers appropriate.

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

RMA continues to evaluate risk management products, review and approve private sector products to be reinsured by FCIC, and ensure delivery of these products to agricultural producers. Risk management products can help producers protect themselves from yield risks, market risks, or both. Examples of recent developmental enhancements to the crop insurance program includes premium rate revisions, Trend Adjusted Actual Production History (APH) product, revenue insurance, forage, rangeland, specialty crops, and livestock pilots. Education and non-insurance risk management assistance initiatives and tools further contribute to the producers' ability to protect their financial stability. Through the effective use of these tools, agricultural producers will have available a cost-effective means of managing their risk so that they are self-sustaining, repopulating, and economically thriving.

RMA employees are located at the Headquarters office in Washington, D.C., the National office in Kansas City, MO, ten Regional Offices (ROs), and six Regional Compliance Offices (RCOs). As of September 30, 2012, RMA had 455 full-time permanent employees with staff located throughout the Nation as follows: 66 in Washington, D.C.; 122 in Kansas City, MO; 162 in ROs; and 105 in RCOs.

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

Office of Inspector General (OIG)/Government Accountability Office (GAO) Reports:

The following tables provide a list of RMA audits completed and in progress during 2012.

OIG/GAO AUDITS COMPLETED IN FISCAL YEAR 2012		
REPORT TITLE	**IDENTIFYING NUMBER**	**DATE ISSUED**
FCIC/RMA Financial Statements for Fiscal Years 2012 and 2011: This audit presented the auditors' opinion on the RMA and Federal Crop Insurance Corporation principal financial statements for the fiscal years ended September 30, 2012, and 2011.	OIG 05401-0002-11	11/7/2012
Validity of New Producer Designations: This audit assessed the effectiveness of RMA and AIP controls for granting "new producer" designations and ensuring the propriety of actual production history yield determination for those insured and conducted data analysis and field visits to review relevant documentation maintained by the AIPs and FSA county offices to determine whether any "new producer" status designations were improperly awarded.	OIG 05099-114-KC	8/13/2012
Savings Would Result from Program Changes and Greater Use of Data Mining: This audit determined: (1) how effective were USDA's procedures and processes in detecting and preventing fraud, waste, and abuse in the federal crop insurance program to minimize its costs; (2) to what extent did eligibility standards – including income and benefit limitations – that apply to USDA farm subsidy programs also apply to the crop insurance program; (3) what was the distribution of benefits to participants in the crop insurance program.	GAO 12-256	3/13/2012
Supplemental Revenue Assistance Payment Program: This audit identified and assessed whether: (1) the Department's Recovery Act related programs were timely and effectively implemented; (2) proper internal control procedures were established; (3) program participants met eligibility guidelines; (4) participants properly complied with program requirements; and (5) Farm Service Agency (FSA) established effective compliance operations. Specifically, the audit assesed FSA's controls over SURE Program eligibility, Recovery Act buy-in provisions, producers' compliance with subsequent insurance purchase requirements, and SURE Program payment processing with the use of RMA.	OIG 50703-1-31	3/12/2012

OIG/GAO AUDITS IN PROGRESS DURING FISCAL YEAR 2012		
REPORT TITLE	**IDENTIFYING NUMBER**	**START DATE**
Reduction of Inconsistent Yields: The objectives of this audit are to determine if RMA has adequate controls to ensure that inconsistent yields are detected, verified, and if necessary, reduced according to the requirements of the Crop Insurance Handbook.	OIG 05601-1-32	8/1/2011
Federal Crop Insurance Program – Organic Crops: The objectives of this audit are to identify and assess: (1) RMA and AIP controls over underwriting and servicing policies, and adjusting claims for organically insured crops to ensure the propriety and accuracy of premiums and indemnity payments; (2) RMA and AIP controls over determining whether underwriting information supplied to RMA by AIP's and their agents was accurate; and (3) RMA and AIP controls over whether insured producers followed "good organic farming practices."	OIG 05601-6-KC	9/3/2010

RISK MANAGEMENT AGENCY

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

Item	2011 Actual		2012 Actual		2013 Estimate		2014 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Discretionary Appropriations....	$79,000	505	$74,900	470	$75,358	455	$71,496	455
Rescission................................	-158	-	-	-	-	-	-	-
Adjusted Appropriation..........	78,842	505	74,900	470	75,358	455	71,496	455
Transfers In..............................								
Cong. Relations.....................	48	-	41	-	-	-	-	-
Total Available......................	78,890	505	74,941	470	75,358	455	71,496	455
Lapsing Balances......................	-620	-	-209	-	-	-	-	-
Subtotal Obligations, RMA....	78,270	505	74,732	470	75,358	455	71,496	455
Mandatory Appropriations........	6,620,372	-	7,605,175	-	10,218,604	-	9,502,944	-
Balance Available, SOY...........	558,000	-	564,000	-	564,000	-	564,000	-
Recoveries, Other (Net)............	3,147,953	-	5,000,641	-	8,125,044	-	4,163,661	-
Total Available......................	10,326,325	-	13,169,816	-	18,907,648	-	14,230,605	-
Balance Available, EOY...........	-561,000	-	-564,000	-	-564,000	-	-564,000	-
Other Adjustments, Net............	-	-	-	-	-	-	-	
Obligations............................	9,765,325	-	12,605,816	-	18,343,648	-	13,666,605	-
Total, RMA........................	9,843,595	505	12,680,548	470	18,419,006	455	13,738,101	455

RISK MANAGEMENT AGENCY
ADMINISTRATIVE AND OPERATING EXPENSES

Permanent Positions by Grade and Staff Year Summary

Item	2011 Actual			2012 Actual			2013 Estimate			2014 Estimate		
	Wash. D.C.	Field	Total	Wash. D.C.	Field	Total	Wash. D.C.	Field	Total	Wash. D.C.	Field	Total
SES..................	4	1	5	4	1	5	4	1	5	4	1	5
GS-15..............	8	7	15	9	5	14	9	5	14	9	5	14
GS-14..............	11	35	46	7	34	41	7	34	41	7	34	41
GS-13..............	27	146	173	24	147	171	24	147	171	24	147	171
GS-12..............	8	134	142	8	132	140	8	132	140	8	132	140
GS-11..............	2	14	16	2	17	19	2	17	19	2	17	19
GS-10..............	1	-	1	1	-	1	1	-	1	1	-	1
GS-9................	1	13	14	2	18	20	2	18	20	2	18	20
GS-8................	4	7	11	5	6	11	5	6	11	5	6	11
GS-7................	6	27	33	3	11	14	3	11	14	3	11	14
GS-6................	1	14	15	1	14	15	1	14	15	1	14	15
GS-5................	2	3	5	-	1	1	-	1	1	-	1	1
Ungraded Positions........	-	2	2	-	2	2	-	2	2	-	2	2
Total Perm. Positions........	75	406	481	66	389	455	66	389	455	66	389	455
Total, Perm. Full-Time Employment, EOY.............	75	406	481	66	389	455	66	389	455	66	389	455
Staff Year Est...	89	416	505	77	393	470	66	389	455	66	389	455

RISK MANAGEMENT AGENCY
ADMINISTRATIVE AND OPERATING EXPENSES

Size, Composition, and Annual Operating Costs of Vehicle Fleet

Fiscal Year	Number of Vehicles by Type *								Annual Operating Costs ($ in 000)
	Sedans and Station Wagons	Light Trucks, SUVs, and Vans		Medium Duty Vehicles	Ambu-lances	Buses	Heavy Duty Vehicles	Total Number of Vehicles	
		4x2	4x4						
2011	1	-	2	2	-	-	-	5	38
Change	-1	+2	+1	-2	-	-	-	-	+1
2012	-	2	3	-	-	-	-	5	39
Change	-	-	-	-	-	-	-	-	-
2013	-	2	3	-	-	-	-	5	39
Change	-	-	-	-	-	-	-	-	-
2014	-	2	3	-	-	-	-	5	39

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

NOTES:

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

RISK MANAGEMENT AGENCY
ADMINISTRATIVE AND OPERATING EXPENSES

The estimates include appropriation language for this item as follows:

Administrative and Operating Expenses:

For necessary expenses of the Risk Management Agency, $71,496,000: Provided, That not to exceed $1,000 shall be available for official reception and representation expenses, as authorized by 7 U.S.C. 1506(i).

RISK MANAGEMENT AGENCY
ADMINISTRATIVE AND OPERATING EXPENSES

Lead-Off Tabular Statement

2013 Estimate	$75,358,000
Budget Estimate, 2014	71,496,000
Change in Appropriation	-3,862,000

Summary of Increases and Decreases
(Adjusted Appropriations Basis)
(Dollars in thousands)

	2011 Actual	2012 Change	2013 Change	2014 Change	2014 Estimate
Discretionary Appropriations:					
Salaries and Expenses	$78,842	-$3,942	+$458	-3,862	$71,496
Total, Appropriation or Change	78,842	-3,942	+458	-3,862	71,496

RISK MANAGEMENT AGENCY
ADMINISTRATIVE AND OPERATING EXPENSES

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

Program	2011 Actual		2012 Actual		2013 Estimate		Inc. or Dec.			2014 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount		SY	Amount	SY
Discretionary Appropriations:											
Total Appropriation..................	$79,000	505	$74,900	470	$75,358	455	-3,862	(1)	-	$71,496	455
Appropriation...........................	79,000	505	74,900	470	75,358	455	-3,862		-	71,496	455
Rescission..................................	-158	-	-	-	-	-	-		-	-	-
Total Available........................	78,842	505	74,900	470	75,358	455	-3,862		-	71,496	455
Transfers In:											
Cong. Relations........................	48	-	41	-	-	-	-		-	-	-
Lapsing Balances.........................	-620	-	-209	-	-	-	-		-	-	-
Available, EOY...........................		-	-	-	-	-	-		-	-	-
Total Obligations.....................	78,270	505	74,732	470	75,358	455	-3,862		-	71,496	455

Project Statement
Obligation Detail and Staff Years (SY)
(Dollars in thousands)

Program	2011 Actual		2012 Actual		2013 Estimate		Inc. or Dec.			2014 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount		SY	Amount	SY
Discretionary Obligations:	$78,270	505	$74,732	470	$75,358	455	$-3,862	-	-	$71,496	455
Total Obligations.....................	78,270	505	74,732	470	75,358	455	-3,862	-	-	71,496	455
Lapsing Balances.........................	620	-	209	-	-	-	-		-	-	-
Total Available........................	78,890	505	74,941	470	75,358	455	-3,862		-	71,496	455
Transfers In.................................	-48	-	-41	-	-	-	-		-	-	-
Rescission..................................	158	-	-	-	-	-	-		-	-	-
Total Appropriation..................	79,000	505	74,900	470	75,358	455	-3,862		-	71,496	455

RISK MANAGEMENT AGENCY

ADMINISTRATIVE AND OPERATING EXPENSES

Justification of Increases and Decreases

(1) A net decrease of $3,862,000 for salaries and expenses directed at achieving the RMA mission, goals, and objectives ($75,358,000 available in FY 2013).

Resources provided for the Risk Management Agency Administrative and Operating Expenses will be used to continue activities necessary to overseeing and administering the Federal crop insurance program. These funds are crucial to improve the economic stability of agriculture and rural communities through a sound system of crop insurance. They also support the RMA mission to serve America's agricultural producers through effective, market-based risk management tools and solutions to strengthen the economic stability of agricultural producers and rural communities.

RMA is able to sustain the cuts outlined in 2014 as a result of successful planning and management over the past year. Specifically, the Agency actively economized and pursued efficiencies and reductions in personnel, information technology (IT), travel, and other administrative services. In addition, beginning in 2012, RMA started exercising its authority to offset some program-related IT costs with producer paid fees. This change coupled with rigorous management of our discretionary funding means that we expect operations to be continued for FY 2014.

Funds provided in 2014 will be used for the salaries and benefits of 455 staff years, travel, information technology, and other administrative expenses such as rent and supplies. Costs were estimated using a reduced 2013 base. RMA will continue to seek efficiencies in overhead costs and plans to backfill only mission critical positions.

The funding change in 2014 is provided below:

a) An increase of $496,000 for pay costs which includes $66,000 for annualization of the fiscal year 2013 pay raise and $430,000 for the anticipated fiscal year 2014 pay raise.

Funding for a pay related increase is necessary to maintain appropriate staffing to carry out RMA mission and mandated requirements. This funding is a critical component of our ability to provide support for a significantly growing program, including the development of many large and complex new risk tools.

Sufficient salary and benefit funding for the RMA workforce is needed to accomplish agency strategies such as: promoting additional, improved, or consolidated products; enhancing product delivery; providing educational opportunities; and reducing program and administrative inefficiencies.

b) A decrease of $4,358,000 and staff years for information technology and advisory services.

RMA will decrease its information technology expenses in 2014 by forcing leaner systems development and shrinking contracting personnel. In addition, RMA will continue to exercise prudent management and procurement efforts such as delaying lifecycle replacement for laptops, servers and storage devices until 2015. RMA will also continue to use producer paid fees as an offset to support program-related IT, making it possible to manage under this request level.

RISK MANAGEMENT AGENCY
ADMINISTRATIVE AND OPERATING EXPENSES

Geographic Breakdown of Obligations and Staff Years (SY)
(Dollars in thousands)

State/Territory	2011 Actual		2012 Actual		2013 Estimate		2014 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY
California..................	$3,472	30	$2,952	25	$2,970	25	$2,822	25
Georgia......................	1,710	15	1,319	13	1,327	13	1,261	13
Illinois........................	1,756	16	1,644	16	1,654	16	1,571	16
Indiana.......................	1,388	13	1,157	13	1,164	13	1,106	13
Kansas........................	2,004	19	1,851	17	1,862	17	1,769	17
Minnesota..................	4,577	32	3,247	30	3,267	30	3,104	30
Mississippi................	1,685	16	1,593	15	1,603	15	1,523	15
Missouri....................	21,705	187	17,835	177	17,944	173	17,047	173
Montana....................	1,844	15	1,570	14	1,580	14	1,501	14
North Carolina............	3,723	36	3,243	34	3,263	34	3,100	34
Oklahoma..................	1,634	11	1,042	8	1,048	8	996	8
Texas.........................	1,827	17	1,726	17	1,737	17	1,650	17
Washington...............	1,860	15	1,586	14	1,596	14	1,516	14
District of Columbia...	29,086	83	33,967	77	34,343	66	32,530	66
Obligations.............	78,270	505	74,732	470	75,358	455	71,496	455
Lapsing Balances.......	620	-	209	-	-	-	-	-
Total, Available......	78,890	505	74,941	470	75,358	455	71,496	455

RISK MANAGEMENT AGENCY
ADMINISTRATIVE AND OPERATING EXPENSES

Classification by Objects
(Dollars in thousands)

		2011 Actual	2012 Actual	2013 Estimate	2014 Estimate
Personnel Compensation:					
	Washington D.C.	$8,294	$7,249	$6,501	$6,562
	Field	36,733	35,015	34,575	34,901
11	Total personnel compensation	45,027	42,264	41,076	41,463
12	Personal benefits	12,242	12,021	11,559	11,668
13.0	Benefits for former personnel	5	6	6	6
	Total, personnel comp. and benefits	57,274	54,291	52,641	53,137
Other Objects:					
21.0	Travel and transportation of persons	1,275	1,069	1,076	1,076
22.0	Transportation of things	69	57	57	57
23.2	Rental payments to others	341	338	340	340
23.3	Communications, utilities, and misc. charges	938	755	760	760
24.0	Printing and reproduction	68	24	100	100
25.1	Advisory and assistance services	3,947	2,849	8,973	4,615
25.3	Other purchases of goods and services from Federal sources	1,038	1,157	1,157	1,157
25.4	Operation and maintenance of facilities	178	182	183	183
25.7	Operation and maintenance of equipment	12,808	13,382	9,443	9,443
25.8	Subsistence and support of persons	270	270	270	270
26.0	Supplies and materials	50	224	224	224
31.0	Equipment	14	134	134	134
	Total, Other Objects	20,996	20,441	22,717	18,359
99.9	Total, new obligations	78,270	74,732	75,358	71,496
Position Data:					
	Average Salary (dollars), ES Position	$160,855	$181,229	$181,000	$181,000
	Average Salary (dollars), GS Position	$86,522	$87,704	$88,000	$88,000
	Average Grade, GS Position	11.8	11.9	11.9	11.9

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

The estimates include appropriation language for this item as follows:

Federal Crop Insurance Corporation Fund:

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

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Lead-Off Tabular Statement
Current Law

2013 Estimate	$10,218,604,000
Budget Estimate, 2014	9,502,944,000
Change in Appropriation	-715,660,000

Proposed Legislation

Budget Estimate, Current Law, 2014	$9,502,944,000
Change due to proposed legislation	-513,000,000
Net Request, President's 2014 Budget Request	8,989,944,000

Summary of Increases and Decreases
(Dollars in thousands)

	2011 Actual	2012 Change	2013 Change	2014 Change	2014 Estimate
Mandatory Appropriations:					
Premium Subsidy	$4,600,900	-$93,585	$4,340,189	-$1,979,465	$6,868,039
Delivery Expense	1,325,000	48,000	-60,400	2,300	1,314,900
Underwriting Gain	999,496	669,504	-1,669,000	1,261,505	1,261,505
Federal Crop Insurance Act Initiatives	67,500	-11,640	2,640	-	58,500
Other Authority Withdrawn	-372,524	372,524	-	-	-
Subtotal	6,620,372	+984,803	+2,613,429	-715,660	9,502,944
Total, Appropriation or Change	6,620,372	+984,803	+2,613,429	-715,660	9,502,944

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

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

Program	2011 Actual		2012 Actual		2013 Estimate		Inc. or Dec.		2014 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Mandatory Appropriations:										
Premium Subsidy......................................	$4,600,900	-	$4,507,315	-	$8,847,504	-	-$1,979,465	-	$6,868,039	-
Delivery Expense......................................	1,325,000	-	1,373,000	-	1,312,600	-	+2,300	-	1,314,900	-
Underwriting Gain....................................	999,496	-	1,669,000	-	-	-	+1,261,505	-	1,261,505	-
Federal Crop Insurance Act Initiatives......	67,500	-	55,860	-	58,500	-	-	-	58,500	-
Other Authority Withdrawn.....................	-372,524	-	-	-	-	-	-	-	-	-
Subtotal...	6,620,372	-	7,605,175	-	10,218,604	-	-715,660	-	9,502,944	-
Total Appropriation..................................	6,620,372	-	7,605,175	-	10,218,604	-	-715,660 (1)	-	9,502,944	-
Bal. Available, SOY.....................................	558,000	-	564,000	-	564,000	-	-	-	564,000	-
Recoveries, Other (Net)...............................	3,147,953	-	5,000,641	-	8,125,044	-	-3,961,383	-	4,163,661	-
							-			
Total Available..	10,326,325	-	13,169,816	-	18,907,648	-	-4,677,043	-	14,230,605	-
							-			
Lapsing Balances...	-	-	-	-	-	-	-	-	-	-
Bal. Available, EOY.....................................	-561,000	-	-564,000	-	-564,000	-	-	-	-564,000	-
Other Adjustments (Net)..............................	-				-		-		-	
							-			
Total Obligations......................................	9,765,325	-	12,605,816	-	18,343,648	-	-4,677,043	-	13,666,605	-

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

Program	2011 Actual		2012 Actual		2013 Estimate		Inc. or Dec.		2014 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Mandatory Obligations:										
Indemnities..	$6,045,508	-	$9,487,140	-	$17,027,548	-	-$6,015,848	-	$11,011,700	-
Delivery Expense......................................	1,383,342	-	1,373,000	-	1,312,600	-	+2,300	-	1,314,900	-
Underwriting Gain/Loss...........................	2,271,763	-	1,669,816	-	-	-	+1,261,505	-	1,261,505	-
Federal Crop Insurance Act Initiatives......	64,712	-	55,860	-	58,500	-	-	-	58,500	-
Program Related IT...................................	-	-	20,000	-	20,000	-	-	-	20,000	-
Good Performance Refund.......................	-	-	-	-	-75,000	-	+75,000	-	-	-
Subtotal..	9,765,325	-	12,605,816	-	18,343,648	-	-4,677,043	-	13,666,605	-
Total Obligations......................................	9,765,325	-	12,605,816	-	18,343,648	-	-4,677,043	-	13,666,605	-
Bal. Available, EOY.....................................	561,000	-	564,000	-	564,000	-	-	-	564,000	-
Total Available..	10,326,325	-	13,169,816	-	18,907,648	-	-4,677,043	-	14,230,605	-
Bal. Available, SOY.....................................	-558,000	-	-564,000	-	-564,000	-	-	-	-564,000	-
Other Adjustments (Net)..............................	-3,147,953	-	-5,000,641	-	-8,125,044	-	+3,961,383	-	-4,163,661	-
Total Appropriation..................................	6,620,372	-	7,605,175	-	10,218,604	-	-715,660	-	9,502,944	-

RISK MANAGEMENT AGENCY

FEDERAL CROP INSURANCE CORPORATION FUND

Justification of Increases and Decreases

(1) A decrease of $715,660,000 is estimated for the Federal Crop Insurance Corporation (FCIC) Fund, ($10,218,604,000 available in 2013).

Funding supports RMA's mission to serve America's agricultural producers through effective, market-based risk management tools and solutions to strengthen the economic stability of agricultural producers and rural communities. Funding also supports the achievement of USDA Strategic Goal to assist rural communities to create prosperity so they are self-sustaining, repopulating and economically thriving. Continuation of the program is critical if the agency is to continue to provide an actuarially sound risk management program.

The FCIC provides an actuarially sound risk management program that protects against agricultural production losses due to unavoidable causes such as drought, excessive moisture, hail, wind, hurricane, tornado, lightning, and insects. The FCIC Fund has zero staff years; see the RMA Administrative and Operating Expenses justification.

In fiscal year 2013 the appropriations request appears lower than what might be expected in a 1.5 loss ratio year, but that is due to a timing shift in premium collections. Policy changes made by the 2008 Farm Bill were intended to accelerated premium collections originally due in fiscal year 2013 into fiscal year 2012. However, in response to the severe drought conditions the USDA used its discretionary authority to waive interest penalties for one month on late paid premiums. This effectively shifted some premium collections back into fiscal year 2013 and reduced the overall need for additional appropriations. This is a one-time shift, and the funding returns to normal beginning in fiscal year 2014.

The specific funding changes are summarized as follows:

a) A decrease of $1,979,465,000 for premium subsidy ($8,847,504,000 available in 2013).

Premium subsidy, the amount of total premium paid by FCIC is shown as a decrease in 2014. This is primarily where the timing shift of farmers' premium payments, discussed above, manifests itself. This would not show up as a decrease had it not been for the timing shift in payments. Once FY 2013 is not part of the comparison, decreases and increases will be more informative. However, on a cash basis, based on normal estimating procedures, there is a decreased need in the appropriation for delivery expenses in FY 2014 as compared to FY 2013.

b) An increase of $2,300,000 for delivery expenses ($1,312,600,000 available in 2013).

Delivery expenses are administrative and operating reimbursements provided to approved insurance providers. They cover the cost of distributing risk management services and products to American producers and are based on a percentage of estimated total premium. The 2011 Standard Reinsurance Agreement (SRA) limits the total amount of delivery expense paid to reinsured companies each year. However, as outlined in the SRA, the cap increases modestly over time. Therefore, the 2014 delivery expenses are $2.3 million higher in 2014, primarily due to the annual inflation adjustment of the cap.

c) An increase of $1,261,505,000 for underwriting gains ($0 available in 2013).

Underwriting gains are a reinsured company's share of net book premium that exceeds their share of net losses. When there is a year where the net book premium does not exceed their share of losses, the companies experience underwriting losses. RMA does not pay underwriting gains to the companies when they have underwriting losses as a group for the year. That is what happened in Crop Year 2012, which affects the FY 2013 underwriting gains estimate, which is zero. In FY 2014, a normal amount of underwriting gain is projected. Therefore the amount of underwriting gain from FY 2013 to FY 2014 is legitimately shown to be increasing.

RISK MANAGEMENT AGENCY

FEDERAL CROP INSURANCE CORPORATION FUND

Summary of Increases and Decreases - Proposed Legislation
(Dollars in thousands)

Item of Change	Current Law	Program Changes	President's Request
Federal Crop Insurance Corporation Fund……..	$9,502,944	-$513,000	$8,989,944

Explanation of Proposed Legislation:

The 2014 Budget proposes policies that are similar to those included in the 2013 Budget and recommended in the President's Plan for Economic Growth and Deficit Reduction, which includes five crop insurance proposals that will save an estimated $11.7 billion over 10 years.

The proposals include programmatic changes that:

1. Establish a reasonable rate of return to participating crop insurance companies. A USDA commissioned study found that when compared to other private companies, crop insurance companies rate of return on investment (ROI) should be around 12 percent, but that it is currently expected to be 14 percent. The Administration is proposing to lower the crop insurance companies' ROI to meet the 12 percent target. This proposal is expected to save about $1.2 billion over 10 years.

2. Reduce the reimbursement rate of administrative and operating expenses. The current cap on administrative expenses to be paid to participating crop insurance companies is based on the 2010 premiums, which were among the highest ever. A more appropriate level for the cap would be based on 2006 premiums, neutralizing the spike in commodity prices over the last four years, but not harming the delivery system. The Administration, therefore, proposes setting the cap at $0.9 billion adjusted annually for inflation. This proposal is expected to save about $2.8 billion over 10 years.

3. Reduce the premium rate on catastrophic coverage to better reflect historical performance. This proposal would require that USDA reset premium rates to more accurately reflect the performance of the catastrophic portfolio. The premium for catastrophic coverage is fully subsidized for the farmer, so they are not impacted by this change. The proposal is expected to save about $292 million over 10 years.

4. Lower the subsidy paid for producer premium by 3 percentage points for policies where the Government subsidizes more than 50 percent of the premium (previous proposals reduced these by only 2 percentage points). Producers with policies whose premium subsidies are 50 percent or less would not be affected by this change. Currently the government subsidizes buy-up coverage at 60 percent on average. That level of a subsidy is no longer needed to boost or sustain participation. Participation has increased substantially in recent years and farmers have, by now, incorporated crop insurance into their business model. With that level of participation, the reduced premium levels will still provide a level of subsidy sufficient to incentivize participation, and the safety net will remain intact. This proposal is expected to save about $4.2 billion over 10 years.

5. Reduce premium subsidy by 2 percentage points for revenue coverage that provides protection for upward price movements at harvest time. Producers will be able to continue to purchase affordable revenue coverage for potential upward price changes that may occur at time of harvest. This type of revenue coverage is the most expensive and provides producers with coverage that can fluctuate depending on price movement at time of harvest. The ability to have increased harvest price coverage seamlessly integrated into a crop insurance policy presents a convenience that approximates certain revenue protection available through private sector markets, and this proposal would shift more of the cost of this enhanced coverage from the taxpayer to the insured party, while still maintaining the availability and integrity of the policy. This proposal is expected to save about $3.2 billion over 10 years.

RISK MANAGEMENT AGENCY

FEDERAL CROP INSURANCE CORPORATION FUND

Geographic Breakdown of Obligations and Staff Years
(Dollars in thousands)

State/Territory	2011 Actual	2012 Actual	2013 Estimate	2014 Estimate
	Amount	Amount	Amount	Amount
Alabama	$45,355	$51,425	$92,295	$59,687
Alaska	65	26	47	30
Arizona	12,096	16,764	30,087	19,457
Arkansas	23,589	154,945	278,087	179,839
California	643,812	130,135	233,561	151,044
Colorado	180,849	180,308	323,608	209,277
Connecticut	20,095	7,801	14,001	9,054
Delaware	8,171	9,561	17,159	11,097
Florida	1,707,885	89,066	159,851	103,375
Georgia	69,428	199,840	358,664	231,948
Hawaii	24,680	764	1,371	887
Idaho	48,221	46,166	82,856	53,583
Illinois	106,855	423,936	760,860	492,047
Indiana	29,643	276,091	495,515	320,449
Iowa	10,630	293,781	527,265	340,982
Kansas	833,880	1,100,172	1,974,536	1,276,931
Kentucky	46,464	116,563	209,202	135,291
Louisiana	28,702	59,393	106,595	68,935
Maine	2,319	9,453	16,966	10,972
Maryland	46,746	31,035	55,701	36,022
Massachusetts	12,782	3,915	7,026	4,544
Michigan	117,957	59,911	107,525	69,536
Minnesota	35,324	389,546	699,139	452,133
Mississippi	19,958	137,128	246,111	159,160
Missouri	52,847	490,055	879,526	568,789
Montana	160,856	171,471	307,748	199,020
Nebraska	141,246	300,313	538,987	348,562
Nevada	6,617	1,321	2,370	1,533
New Hampshire	598	297	533	345
New Jersey	24,426	3,191	5,726	3,703
New Mexico	9,372	57,081	102,447	66,252
New York	26,396	44,010	78,988	51,081
North Carolina	102,967	350,918	629,810	407,298
North Dakota	34,358	1,274,223	2,286,914	1,478,945
Ohio	115,332	121,959	218,886	141,553
Oklahoma	258,060	300,042	538,501	348,248
Oregon	233,146	18,197	32,659	21,121
Pennsylvania	31,964	62,328	111,864	72,342
Rhode Island	5	176	316	204
South Carolina	51,473	69,022	123,877	80,111
South Dakota	150,462	436,197	782,866	506,279
Tennessee	72,008	75,575	135,639	87,718
Texas	274,918	1,737,430	3,118,256	2,016,573
Utah	6,796	5,292	9,499	6,143
Vermont	44	6,016	10,797	6,982
Virginia	47,681	43,596	78,244	50,600
Washington	86,725	60,351	108,315	70,047
West Virginia	826	1,684	3,022	1,954
Wisconsin	65,347	52,663	94,517	61,124
Wyoming	15,532	16,277	29,213	18,892
Subtotal, Indemnities a/	6,045,508	9,487,410	17,027,548	11,011,700
Undistributed b/	3,719,817	3,118,406	1,316,100	2,654,905
Obligations	9,765,325	12,605,816	18,343,648	13,666,605
Bal. Available, EOY/Other Adjustments (Net)	561,000	564,000	564,000	564,000
Total, Available	10,326,325	13,169,816	18,907,648	14,230,605

a/ Due to the inability to predict the location of losses, it is impossible to accurately estimate a State cost distribution. These estimates are based on prior year indemnities.

b/ Undistributed includes, Delivery Expenses, FCIA cost, Interest, Underwriting Gains/(Losses) and other expenses that cannot be distributed by State.

RISK MANAGEMENT AGENCY

FEDERAL CROP INSURANCE CORPORATION FUND

Classification by Objects
(Dollars in thousands)

		2011 Actual	2012 Actual	2013 Estimate	2014 Estimate
FCIC FUND:					
25.0	Delivery Expenses	$1,383,342	$1,373,000	$1,312,600	$1,314,900
	Federal Crop Insurance Act Initiatives	64,712	55,860	58,500	58,500
	Underwriting Gain/Losses	2,271,763	1,669,816	-	1,261,505
	Program Related IT	-	20,000	20,000	20,000
	Good Performance Refund	-	-	-75,000	-
42.0	Indemnities	6,045,508	9,487,140	17,027,548	11,011,700
99.9	Total, new obligations	9,765,325	12,605,816	18,343,648	13,666,605

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION

STATUS OF PROGRAM

The primary responsibility of the Risk Management Agency (RMA) is to administer the Federal Crop Insurance Program in accordance with the 1938 Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) as amended. RMA was established in 1996 in the United States Department of Agriculture (USDA) to improve the economic stability of agriculture through a sound system of crop insurance and to provide the means for the research and experience that is helpful in devising and establishing such insurance. RMA's mission is to serve America's agricultural producers through effective, market-based risk management tools and solutions to strengthen the economic stability of agricultural producers and rural communities. RMA directly supports the achievement of USDA Strategic Goal 1: "Assist rural communities to create prosperity so they are self-sustaining, repopulating and economically thriving". RMA's 2011-2015 Strategic Plan is aligned with the USDA 2010-2015 Strategic Plan.

The Federal Crop Insurance Corporation (FCIC) is a wholly owned government corporation created February 16, 1938 (7 U.S.C. 1501.) The program was amended by Public Law (P.L.) 96-365, dated September 26, 1980, to provide for nationwide expansion of a comprehensive crop insurance plan. FCIC provides an actuarially sound risk management program that protects against agricultural production losses due to unavoidable causes such as drought, excessive moisture, hail, wind, hurricane, tornado, lightning, and insects. In addition to these causes, revenue insurance programs are available under which producers of certain crops are protected against loss of revenue stemming from low prices, poor yields, or a combination of both and, for some commodities like livestock, price coverage is available that protects producers against price or margin decreases.

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

Current Activities:

Premium Rate Revisions will be applied to corn, soybeans, grain sorghum, spring wheat, rice and cotton for the 2013 crop year. Revised rates for corn and soybeans were offered in most counties in 2012. This is part of RMA's ongoing effort to improve crop insurance premium rating.

Acreage Crop Reporting Streamlining Initiative (ACRSI) – The ACRSI project continues to progress towards developing streamlined acreage reporting solutions across USDA programs, including on-line self-service tools. Agencies participating in the ACRSI include RMA, Farm Service Agency, Natural Resources Conservation Service, and National Agricultural Statistics Service.

Livestock Insurance Underwriting Capacity – Expenditures for administrative and operating subsidy and premium subsidy for the livestock insurance products is limited by the Federal Crop Insurance Act to $20 million per fiscal year. The livestock insurance programs utilized almost $19.5 million of the $20 million available for funding in FY 2012. Livestock Gross Margin for Dairy Cattle (LGM-Dairy) accounted for $15.6 million of the total, and was so popular, that for many months funds were not available for the sale of LGM-Dairy, so the insurance was not offered. For FY 2013, $20 million again became available for livestock insurance expenses. By the end of February 2013, nearly $8.4 million of the total available funding had already been used, with LGM-Dairy accounting for $7.2 million of that amount.

Trend Adjusted Actual Production History (APH) – A new Federal crop insurance program, approved through section 508(h) of the Federal Crop Insurance Act, was implemented for corn, soybeans, and wheat for crop year 2012. The Trend Adjusted APH product reflects the impact of yield trends when calculating the approved yield and subsequent liability. The program will be expanded to canola, cotton, grain sorghum and rice as well as to additional counties for corn, soybeans, and wheat for the 2013 crop year.

New Crop Insurance Programs – Pulse Crop Revenue, Popcorn Revenue, High-Risk Alternate Coverage Endorsement, APH Olive, and Texas Citrus Tree are all new programs that were approved by the Federal Crop Insurance Board of Directors under Section 508(h) of the Federal Crop Insurance Act. The APH Pistachio program was developed under contract by RMA and approved by the FCIC Board of Directors. These programs will become available starting in the 2012 and 2013 crop years.

Selected Examples of Recent Progress:

The Improper Payment Rate reported in the 2012 Corrective Action Plan for the Federal crop insurance program was 4.08 percent. This 4.08 percent (%) error rate represents the weighted average of indemnity errors identified in the 2008, 2009, and 2010 crop year policy samples and was reduced 0.64% from last year's action plan. RMA has determined that the difference in error rates between crop years is consistent with the normal error distribution expected over time. RMA is continuing to monitor and reexamine their processes to reduce error rates. The strategy for identifying and controlling the error rate includes identifying error trends and policy concerns and correcting them.

Drought Response – The 2011 and 2012 crop years have been difficult for farmers across the United States due to prolonged, severe drought conditions. RMA has taken a proactive approach to addressing drought related issues in the Federal crop insurance program issuing the following guidance to the insurance industry and producers:

- Crop Insurance and Drought-Damaged Crops (July 2011)
- Prevented Planting – Irrigated Cropland Eligibility and Drought (February 2012)
- Drought Fact Sheet (April 2012)
- Emergency Drought Relief – Deferral of Interest Charges on Spring Crop Insurance Premiums (July 2012)
- Drought Questions and Answers (August 2012)
- Adjustment to Simplified Claims Process (SCP) – Increased Dollar Tolerance Due to 2012 Drought Situation (August 2012)
- Voluntary Waiver of Livestock Risk Protection basic Provisions 30-Day Ownership Requirement Due to Severe Drought (August 2012)
- Emergency Drought Relief – Allowing the Haying and Grazing of a Cover Crop for the 2013 Crop Year (August 2012)

Risk Management Education Programs – For FY 2012, Cooperative Agreements totaling approximately $12.6 million in 48 States were awarded from two Risk Management Education programs: (1) Targeted States Education Program and (2) Risk Management Education and Outreach Partnerships Program. RMA partnered with qualified entities such as Universities (including 1862, 1890, 1994 land grant colleges and universities), Hispanic Serving Institutions (HSIs), not-for-profit organizations, for-profit small businesses, producer groups, faith based community organizations, and agricultural technical schools to provide training, information and outreach activities. Projects funded include, but are not limited to, crop insurance education and risk management training to minority producers, women, veteran producers; livestock education to tribal producers; crop insurance education and financial planning to small, limited resource producers; and, crop insurance education and good agricultural practices to Hispanic producers growing specialty crops (which includes translating RMA materials into Spanish).

A Clean Audit Opinion was received by RMA and the Federal Crop Insurance Corporation for fiscal years 2011 and 2012 and reported to the Office of the Inspector General from independent auditors. This report contains an unqualified opinion on the financial statement as well as an assessment of RMA's internal controls over financial reporting and compliance with laws and regulations.

RISK MANAGEMENT AGENCY

Summary of Budget and Performance

Statement of Department Goals and Objectives

The primary responsibility of the Risk Management Agency (RMA) is to administer the Federal crop insurance program in accordance with the 1938 Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) as amended. RMA was established in 1996 within the United States Department of Agriculture (USDA) to improve the economic stability of agriculture and rural communities through a sound system of crop insurance and to provide the means for the research and experience that is helpful in devising and establishing crop insurance. The mission of the agency is serving America's agricultural producers through effective, market-based risk management tools and solutions to strengthen the economic stability of agricultural producers and rural communities. RMA provides an actuarially sound risk management program that protects against agricultural production losses due to unavoidable causes such as drought, excessive moisture, hail, wind, hurricane, tornado, lightning, and insects. In addition to these causes, revenue insurance programs are available under which producers of certain crops are protected against loss of revenue stemming from low prices, poor yields, or a combination of both. Federal crop insurance is available to producers through private insurance companies that market and service policies and also share in the risk. Thus, the program delivery is a joint effort between the Federal government and the private insurance industry.

RMA has four strategic goals and ten management initiatives that contribute to one of the Secretary's Strategic Goals.

USDA Strategic Goal: Assist rural communities to create prosperity so they are self sustaining, repopulating and economically thriving.

Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcome
Increase the availability and effectiveness of Federal crop insurance as a risk management tool while enhancing and protecting the soundness of the program.	Ensure that Federal crop insurance products are fundamentally & actuarially sound	Federal Crop Insurance	Increase the value of risk protection provided to agricultural producers through the Federal crop insurance program.
	Facilitate & foster development of new insurance products		Increase the availability and market penetration for Pasture, Rangeland and Forage insurance products.
	Complete the work of the USDA Acreage Crop Reporting Streamlining Initiative (ASCRI) and implement the identified program simplification changes to allow producers to report common USDA program data one time through the reporting portal of their choosing.		Fewer producer identity discrepancies between RMA & Farm Service Agency Comprehensive Information Management System (CIMS)

Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcome
Ensure a fair and effective risk management product delivery system.	Identify and address barriers to the use of crop insurance.	Federal Crop Insurance Regional Offices	Increase the actual value of risk protection to agricultural producers in underserved states through FCIC sponsored crop insurance.
	Ensure civil rights compliance within the agency and with the Approved Insurance Providers, their Agents and Loss Adjusters.		The Agency and the Approved Insurance Providers, their Agents and Loss Adjusters comply with civil rights laws & regulations.
	Provide producers customized insurance offers through a written agreement that makes available insurance coverage for unique regional needs tailored to distinctive types and practices.		Provision of customized insurance offers issued through written agreement from the Regional Offices.
Education and Outreach to stakeholders to ensure access to risk management tools and products.	Continue providing risk management education and other tools for producers, especially for targeted states and beginning, small, and limited resource farmers and ranchers.	Federal Crop Insurance Risk Management Education	Producers provided with crop insurance and other risk management education.
Safeguard the integrity of the Federal crop insurance program.	Ensure Approved Insurance Providers comply with all FCIC regulations.	Federal Crop Insurance Regional Compliance Offices	Approved Insurance Providers comply with all FCIC regulations.
	Ensure large claims are valid and good farming practices are followed.		Large claims are valid and good farming practices are followed.
	Reduce the rate of improper payments.		Improper Payments are reduced.

Key Performance Measures and Targets:

RMA will continue its efforts to increase the availability and effectiveness of risk management solutions and will continue to strengthen program integrity and compliance. RMA proposes to improve the decision-making in the adjustment, and the integrity, of claims by ensuring policyholders comply with the good farming practice provisions of the Federal Crop Insurance Act and crop policy regulations. In order to meet the requirements of the Improper Payment Information Act, establish and update a program error rate, and enhance the Federal crop insurance delivery system, RMA seeks to improve a system of recurring reviews of insurance provider operations, while at the same time continuing with other compliance initiatives to provide greater assurance in the integrity of crop insurance delivery. Additionally, RMA seeks to continue investing in the data analysis tools of data mining and remote sensing of crop insurance data that have proven to be extremely useful in detection of possible instances of fraud, waste, and abuse.

To enhance program delivery systems, decision-making, and performance budgeting capabilities, RMA is currently in Phase II of modernizing its information technology systems and create a more corporate style database and communication system to provide automated, timely and complete data for decision making and information sharing while enhancing data security. Initiatives in the administrative infrastructure contribute significantly to supporting the Agency's mission and strategic goals. RMA also has integrated the Secretary's High Priority Goals and strategic/operational Performance Goals into its planning and management cycles. Attention to these elements will result in more effective RMA usage of valuable resources to improve upon the agency conformity with Departmental guidelines and OMB guidance.

Key outcomes and performance measures under each of the USDA's strategic goals as outlined below:

	Measure	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Target	2014 Target
a.	Annual normalized value of risk protection provided to agricultural producers through the Federal crop insurance program.	$53,900,000	$55,000,000	$56,300,000	$62,100,000	$54,900,000	$55,400,000
b.	Dollars (in thousands) *	$8,072,681	$12,111,125	$9,843,595	$12,680,548	$18,419,006	$13,738,101

* represents total RMA obligations

Key Outcome: Increase the value of risk protection provided to agricultural producers through the Federal crop insurance program.

Key Performance Measure and Targets:

The value of risk protection denotes the amount of insurance in effect protecting and stabilizing the agricultural economy. USDA's value projection target is based on projections developed in November 2010, forecasted participation, and conditions current at that time. The baseline model uses the latest information from the crop insurance program and combines it with USDA baseline projections for major crops. These crops include corn, wheat, soybeans, sorghum, barley, rice, and cotton. In making the projections, the model holds various factors constant, such as premium rates and average coverage level. The model assumes that all non-major crops produce yields consistent with USDA projections for major crops. The baseline model is a tool for developing budget projections contained in Presidential budget requests. The budget and performance projections for the crop insurance program depend on baseline projections from numerous USDA agencies.

The following table presents both the Actual and Normalized Value of risk protection provided to agricultural producers through the Federal crop insurance program. Normalized value uses a five year baseline to help account for the recent steep increases in commodity prices.

Measure	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Target	2014 Target
Value of FCIC risk protection coverage provided through FCIC sponsored insurance ($Billions)	$89.90	$79.60	$77.90	$110.90	$116.20	$82.40	$83.10
Normalized value of FCIC risk protection coverage provided through FCIC sponsored insurance ($Billions)	$53.90	$55.00	$56.30	$55.00	$62.10	$54.90	$55.40

Selected Past Accomplishments toward Achievement of the Key Outcome:

Federal Crop Insurance:

- Premium Rate Revisions were applied to corn, soybeans, grain sorghum, spring wheat, rice and cotton for the 2013 crop year.
- New Crop Insurance Programs – Pulse Crop Revenue, Popcorn Revenue, High-Risk Alternate Coverage Endorsement, APH Olive, Texas Citrus Tree, Trend Adjusted APH (for various crops), and APH Pistachio program.
- The ACRSI project continued to progress towards developing streamlined acreage reporting solutions across USDA programs, including on-line self-service tools. Agencies participating in the ACRSI include RMA, FSA, Natural Resources Conservation Service, and National Agricultural Statistics Service.

Selected Accomplishments Expected at the FY 2014 Proposed Resource Level:

- Maintain the actuarial soundness of the Federal crop insurance program.
- Premium rate revisions of the crop insurance programs will continue in 2014.

- New products will continue to be developed and brought to market.

Key Outcome: Provision of customized insurance offers issued through written agreements from the Regional Offices.

Key Performance Measure and Targets:

Written Agreements provide producers customized insurance offers that make available insurance coverage for unique local/regional needs tailored to distinctive types and practices. These written agreements rely on information exchanges between the Approved Insurance Providers (AIP) and the RMA Insurance Services Regional Offices. The quality of this exchange is measured by the number of AIP submissions that required additional information for a Regional Office to issue an insurance offer.

Measure	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Target	2014 Target
Number of customized insurance offers issued through a written agreement from the Regional Offices.	NA	18,717	12,163	21,051	29,393	14,349	13,257
Percentage of written agreement requests received by the Regional Offices from Approved Insurance Providers with discrepancies that required additional information, quantified through RMA Headquarters review of underwriting operations.	NA	12.00%	17.00%	24.00%	36.00%	9.10%	8.30%

Selected Past Accomplishments toward Achievement of the Key Outcome:

- Provided crop insurance risk coverage in areas where production of a particular crop is not of significant size for a 'county program'.
- Provided crop insurance risk coverage in high risk area such as flood plains where individual farm rates are different then the 'county program'.
- Provided crop insurance risk coverage for specialty crops without 'county programs' so that fresh markets can thrive in these locations.

Selected Accomplishments Expected at the FY 2014 Proposed Resource Level:

- Continue to provide crop insurance risk coverage in areas where production of a particular crop is not of significant size for a 'county program'.
- Continue to provide crop insurance risk coverage in areas such as flood plains where individual farm rates are different then the 'county program'.
- Continue to provide crop insurance risk coverage for specialty crops without 'county programs' so that fresh markets can thrive in these locations.

Key Outcome: Producers provided with crop insurance and other risk management education.

Key Performance Measure and Targets:

RMA provides grants to other entities to help provide risk management education and other tools for producers, especially for targeted states and beginning, small, and limited resource farmers and ranchers. RMA Insurance Services Regional Offices also provide Risk Management.

Measure	2009 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Target	2014 Target
Number of producers reached with crop insurance education and risk education training through the Risk Management Education Partnerships Program and the Targeted States Program.	NA	25,000	28,000	79,531	81,000	36,603	40,263
The number of producer and program stakeholders provided information on crop insurance and other risk management tools and products by Regional Offices not through partnership agreements.	NA	41,730	106,606	96,293	33,395	47,000	48,500

Selected Past Accomplishments toward Achievement of the Key Outcome:

- For FY 2012, Cooperative Agreements totaling approximately $12.6 million in 48 States were awarded from two Risk Management Education programs: (1) Targeted States Education Program and (2) Risk Management Education Partnerships Program.
- RMA partnered with qualified entities such as Universities (including 1862, 1890, 1994 land grant colleges and universities), Hispanic Serving Institutions (HSIs), not-for-profit organizations, for-profit small businesses, producer groups, faith based community organizations, and agricultural technical schools to provide training, information and outreach activities.
- Projects funded include, but not limited to, crop insurance education and risk management training to minority producers, women, veteran producers; livestock education to tribal producers; crop insurance education and financial planning to small, limited resource producers; and, crop insurance education and good agricultural practices to Hispanic producers growing specialty crops (which includes translating RMA materials into Spanish).

Selected Accomplishments Expected at the FY 2014 Proposed Resource Level:

- Increased awareness of crop insurance participation to address financial and production risk.
- Continued translation of crop insurance information into Spanish and Hmong languages.
- Increased emphasis of educational activities in the areas of recordkeeping, financial markets, and farm benchmarking.

Key Outcome: Improper Payments are reduced.

Key Performance Measure and Targets:

The Improper Payment Rate reported in the 2012 Corrective Action Plan for the Federal crop insurance program was 4.08%. This 4.08% error rate represents the weighted average of indemnity errors identified in the 2008, 2009, and 2010 crop year policy samples and was reduced .64% from last year's action plan. RMA has determined that the difference in error rates between crop years is consistent with the normal error distribution expected over time. The strategy for identifying and controlling the error rate includes identifying error trends and policy concerns and correcting them; however, no underlying policy or underwriting issues have been identified in the random samples to date.

Measure	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Target	2014 Target
Improper Payment Rate for the Federal crop insurance program	NA	5.97%	6.05%	4.72%	4.08%	5.10%	4.70%

Selected Past Accomplishment toward Achievement of the Key Outcome:

- Data mining activities continue to show significant cost avoidance savings each year by identifying and spot checking the crop insurance program most anomalous participants based on their history of filing claims.
- RMA, the Farm Service Agency, and other USDA agencies, as well as approved insurance providers are now using the Comprehensive Information Management System to identify common and unique producer and crop information reported to both RMA and FSA; aid in information reconciliation; and reduce the reporting burdens of farmers, ranchers, producers, RMA, FSA, and crop insurance providers.
- For the first time in eight years and 1,950 random policy reviews, a case of suspected misrepresentation was identified for a producer and referred to the USDA, Office of Inspector General for Investigation.

Selected Accomplishments Expected at the FY 2014 Proposed Resource Level:

- Continue implementation of the Risk Management Agency's IT Modernization initiative to allow the agency to more easily accommodate potential changes or initiatives with the crop insurance program and provide improved edits and controls on company provided program data to further control improper payments.
- Continue to expand the agency's strategic data acquisition and analysis efforts by incorporating additional remote sensing and geospatial analyses to its data warehouse and data mining initiative. This will allow the use of data and analysis tools to be expanded to include underwriting and additional program integrity issues throughout the program.
- Continue to build the RMA database of randomly reviewed polices in order to identify any discernable trends in the categories captured and repeat this process every three years to compile the random indemnity review that will be used to identify the RMA program error rate. RMA is currently in discussions with OMB regarding changing the sampling plan to include premium discrepancies in the improper payment calculators.

RISK MANAGEMENT AGENCY

Strategic Goal Funding Matrix
(Dollars in thousands)

Program / Program Items	2011 Actual	2012 Actual	2013 Estimate	Increase or Decrease	2014 Estimate
Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving					
Administrative and Operating Expenses........	$78,270	$74,732	$75,358	-3,862	$71,496
Staff Years..	505	470	455	-	455
Federal Crop Insurance Corporation Fund	9,765,325	12,605,816	18,343,648	-4,677,043	13,666,605
Total Costs, All Strategic Goals....	9,843,595	12,680,548	18,419,006	-4,680,905	13,738,101
Total FTEs, All Strategic Goals....	505	470	455	-	455

RISK MANAGEMENT AGENCY

Full Cost by Department Strategic Goal
(Dollars in thousands)

Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving

Program / Program Items	2011 Actual	2012 Actual	2013 Estimate	2014 Estimate
Administrative and Operating Expenses				
Administrative and Operating Expenses......................	$78,270	$74,732	$75,358	$71,496
Total Costs, Strategic Goal.............................	78,270	74,732	75,358	71,496
Total Staff Years, Strategic Goal....................	505	470	455	455
Federal Crop Insurance Corporation Fund	9,765,325	12,605,816	18,343,648	13,666,605
Total Costs...	9,765,325	12,605,816	18,343,648	13,666,605
Total Staff Years, Strategic Goal....................	-	-	-	-
Total Costs, Strategic Goal.............................	9,843,595	12,680,548	18,419,006	13,738,101
Total Staff Years, Strategic Goal....................	505	470	455	455
Performance Measure: Annual normalized value of risk protection provided to agricultural producers through the Federal Crop Insurance program.	56,300,000	62,100,000	54,900,000	55,400,000
Cost per measure (unit cost)....................................	9,843,595	12,680,548	18,419,006	13,738,101
Total Costs, All Strategic Goals..........	9,843,595	12,680,548	18,419,006	13,738,101
Total FTEs, All Strategic Goals..........	505	470	455	455