



# Agricultural Marketing Service

Creating Opportunities for American Farmers and Businesses

## FGIS Financial Update

Grain Inspection Advisory Committee  
September 5-6, 2018

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# Overview

- User Fees Revenue and Obligations by Account
- Financial Data on Website
- User Fee Funding Obligations (percentage)
- Operating Reserve
- Fee Reviews
- Appropriated Obligations
- Estimated FY19 Funding

# FGIS User Fee Accounts

## U.S. Grain Standards Act (USGSA)

- Inspection and Weighing Account
- Supervision of Official Agencies Account

## Agricultural Marketing Act (AMA)

- Rice Inspection Account
- Commodity Inspection Account

Funds available until expended; balances carry forward.

FGIS has a User Fee obligation/spending CAP.

FGIS User Fee accounts are subject to sequestration laws.

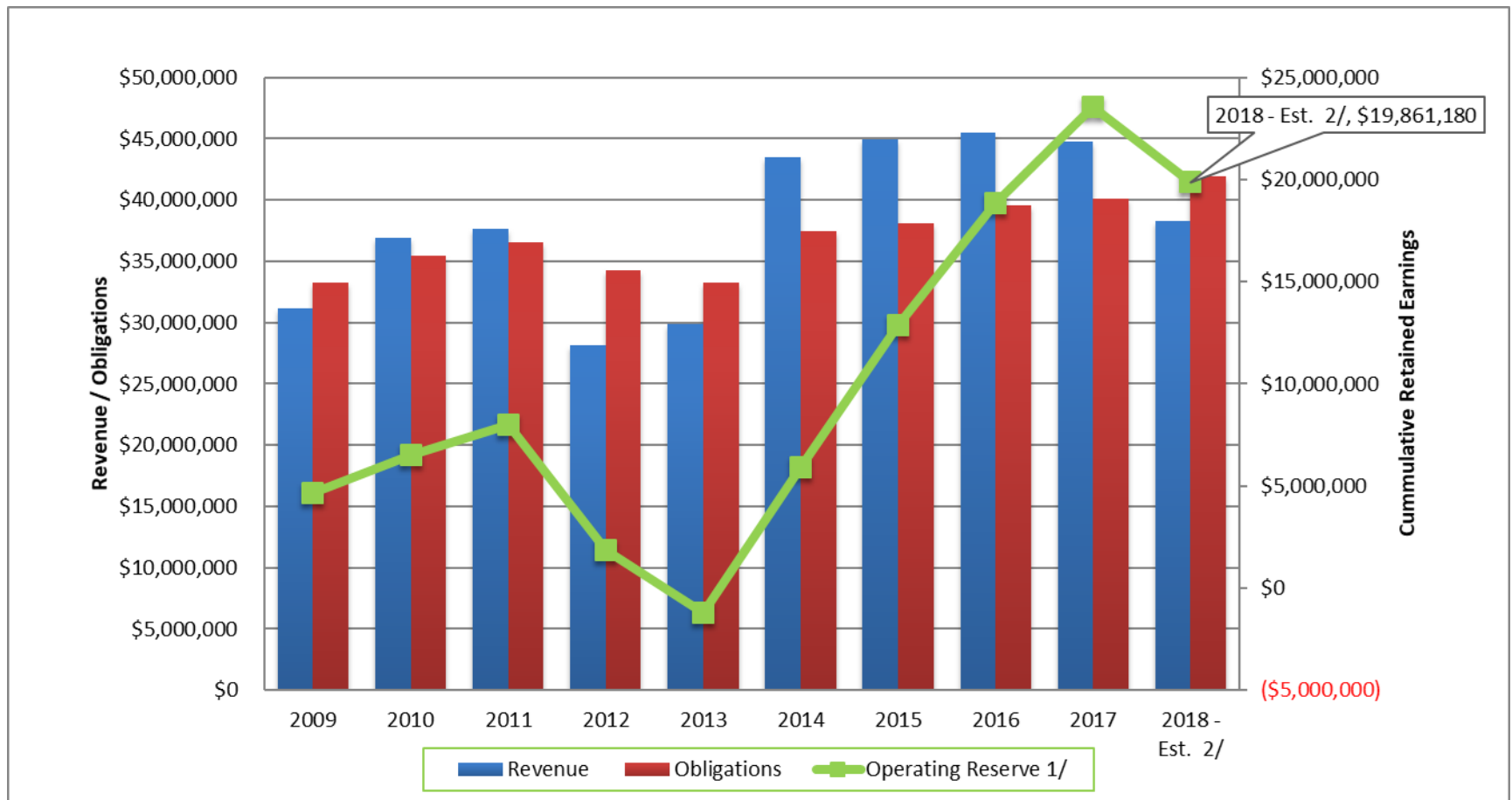
# Inspection and Weighing Account

FY	Revenue	Obligations	Earnings/(Loss)	Operating Reserve <sup>1/</sup>
2009	\$31,192,780	\$33,263,593	(\$2,070,813)	\$4,673,916
2010	\$36,887,797	\$35,474,405	\$1,413,392	\$6,527,766
2011	\$37,652,241	\$36,557,052	\$1,095,189	\$7,993,300
2012	\$28,160,218	\$34,285,325	(\$6,125,108)	\$1,868,192
2013	\$29,841,211	\$33,265,438	(\$3,424,227)	(\$1,191,390)
2014	\$43,480,554	\$37,469,677	\$6,010,878	\$5,923,708
2015	\$44,959,118	\$38,088,040	\$6,871,078	\$12,895,837
2016	\$45,518,430	\$39,551,241	\$5,967,189	\$18,863,026
2017	\$44,763,877	\$40,080,284	\$4,683,593	\$23,546,619
2018 - Est. <sup>2/</sup>	\$38,261,831	\$41,947,271	(\$3,685,439)	\$19,861,180

<sup>1/</sup> Includes prior year adjustments after Annual Reporting is finalized in October of each year.

<sup>2/</sup> Est. FY Revenues and Costs for based on Period 10 Operating Plans

# Inspection and Weighing Account (Cont.)



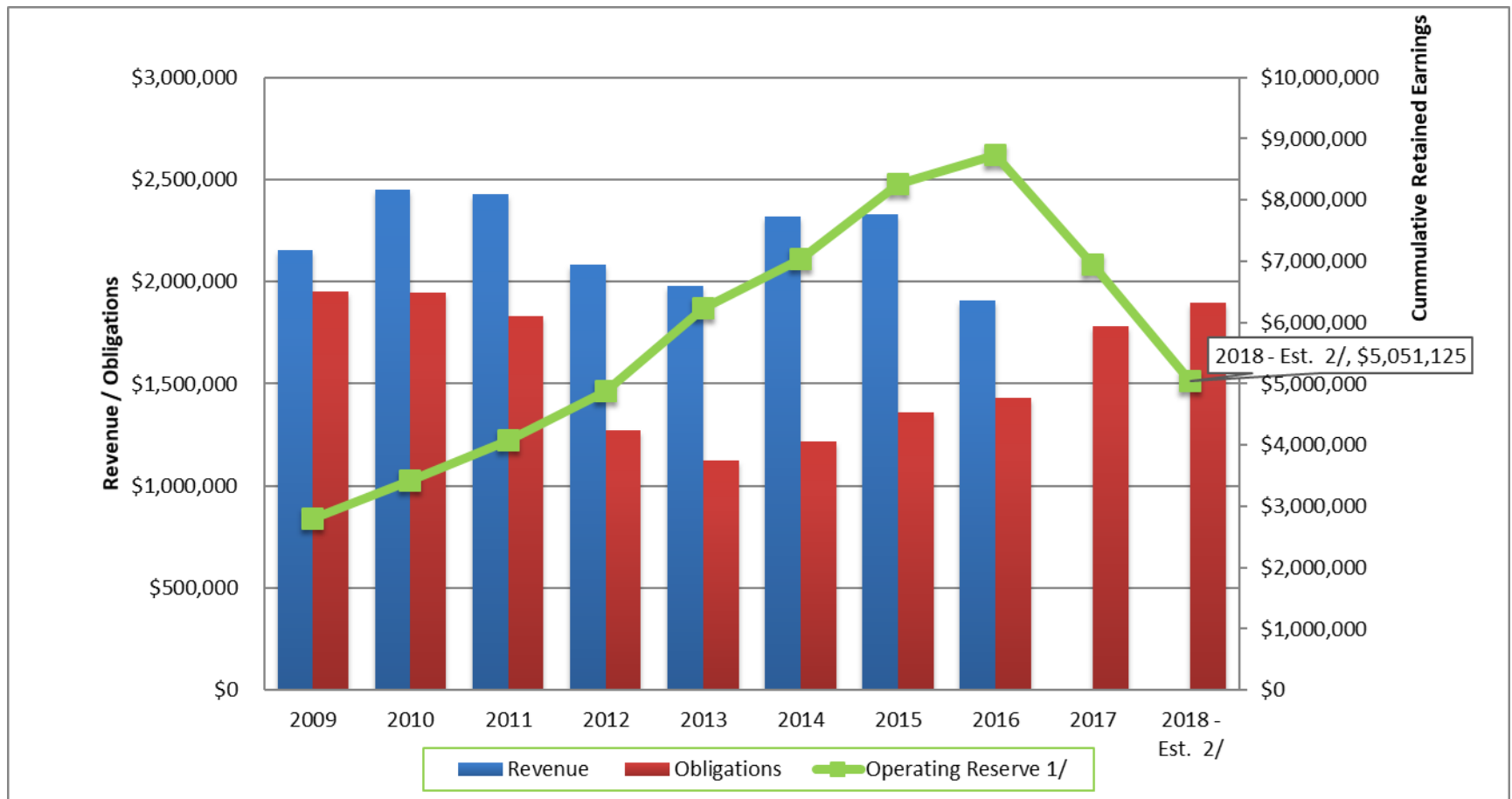
# Supervision of Official Agencies Account

FY	Revenue	Obligations	Earnings/(Loss)	Operating Reserve <sup>1/</sup>
2009	\$2,154,751	\$1,951,680	\$203,071	\$2,790,572
2010	\$2,448,826	\$1,947,928	\$500,898	\$3,427,010
2011	\$2,429,075	\$1,829,112	\$599,963	\$4,074,659
2012	\$2,082,600	\$1,271,124	\$811,476	\$4,886,136
2013	\$1,981,272	\$1,125,409	\$855,863	\$6,236,178
2014	\$2,316,588	\$1,215,430	\$1,101,158	\$7,030,566
2015	\$2,332,014	\$1,360,991	\$971,023	\$8,255,103
2016	\$1,905,178	\$1,430,179	\$474,999	\$8,730,102
2017	\$0	\$1,779,960	(\$1,779,960)	\$6,950,142
2018 - Est. <sup>2/</sup>	\$75	\$1,899,092	(\$1,899,017)	\$5,051,125

<sup>1/</sup> Includes prior year adjustments after Annual Reporting is finalized in October of each year.

<sup>2/</sup> Est. FY Revenues and Costs for based on Period 10 Operating Plans

# Supervision of Official Agencies Account (Cont.)



# Rice Inspection Account

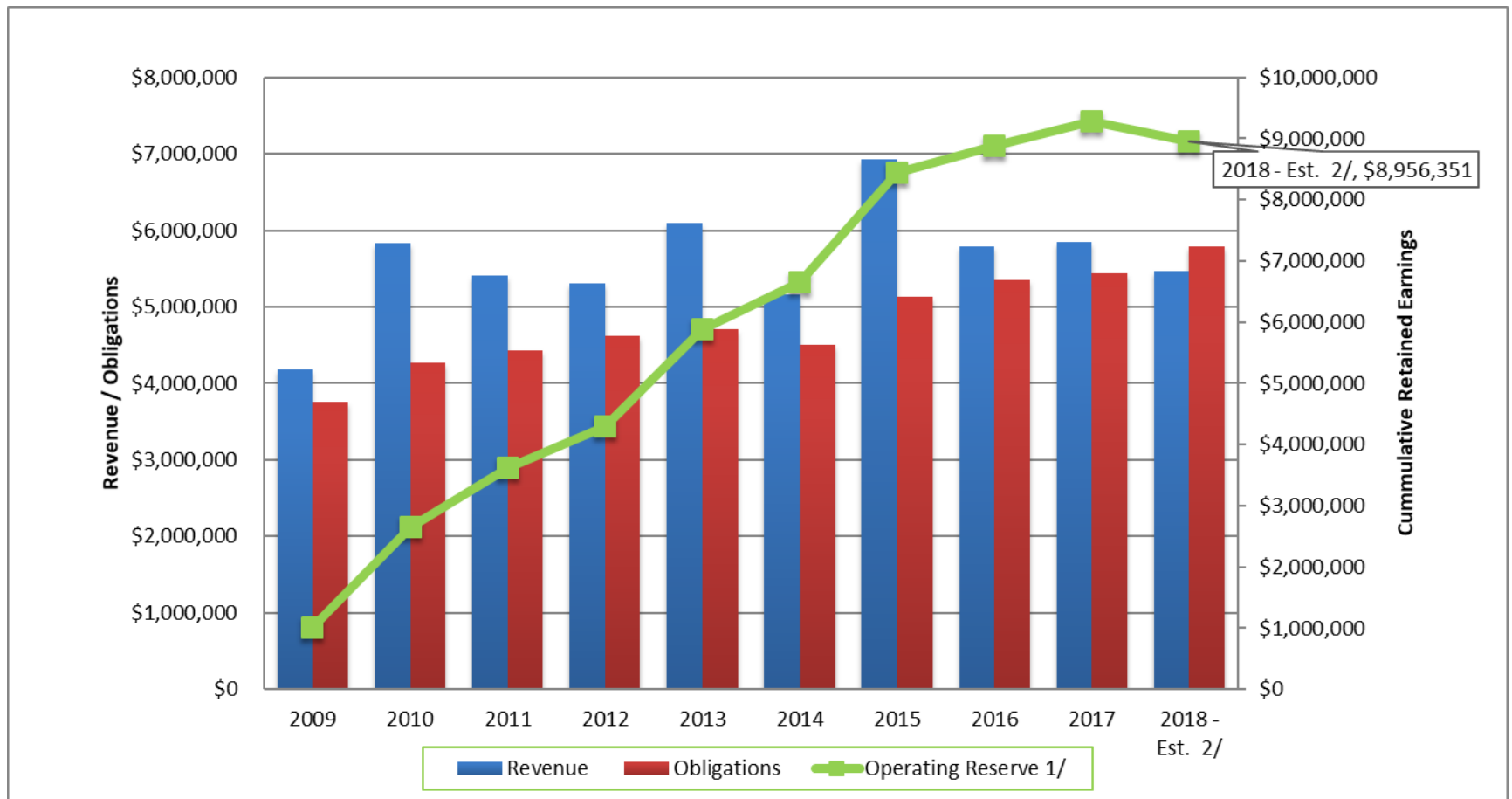
FY	Revenue	Obligations	Earnings/(Loss)	Operating Reserve <sup>1/</sup>
2009	\$4,176,635	\$3,758,190	\$418,445	\$1,007,973
2010	\$5,835,841	\$4,275,487	\$1,560,354	\$2,654,231
2011	\$5,415,123	\$4,422,896	\$992,227	\$3,612,885
2012	\$5,306,073	\$4,616,119	\$689,564	\$4,302,839
2013	\$6,101,929	\$4,709,291	\$1,392,638	\$5,887,968
2014	\$5,162,801	\$4,500,694	\$662,107	\$6,648,057
2015	\$6,931,436	\$5,129,309	\$1,802,127	\$8,450,184
2016	\$5,787,944	\$5,357,518	\$430,426	\$8,880,609
2017	\$5,842,913	\$5,439,814	\$403,099	\$9,283,708
2018 - Est. <sup>2/</sup>	\$5,463,837	\$5,791,194	(\$327,357)	\$8,956,351

<sup>1/</sup> Includes prior year adjustments after Annual Reporting is finalized in October of each year.

<sup>2/</sup> Est. FY Revenues and Costs for based on Period 10 Operating Plans



# Rice Inspection Account (Cont.)



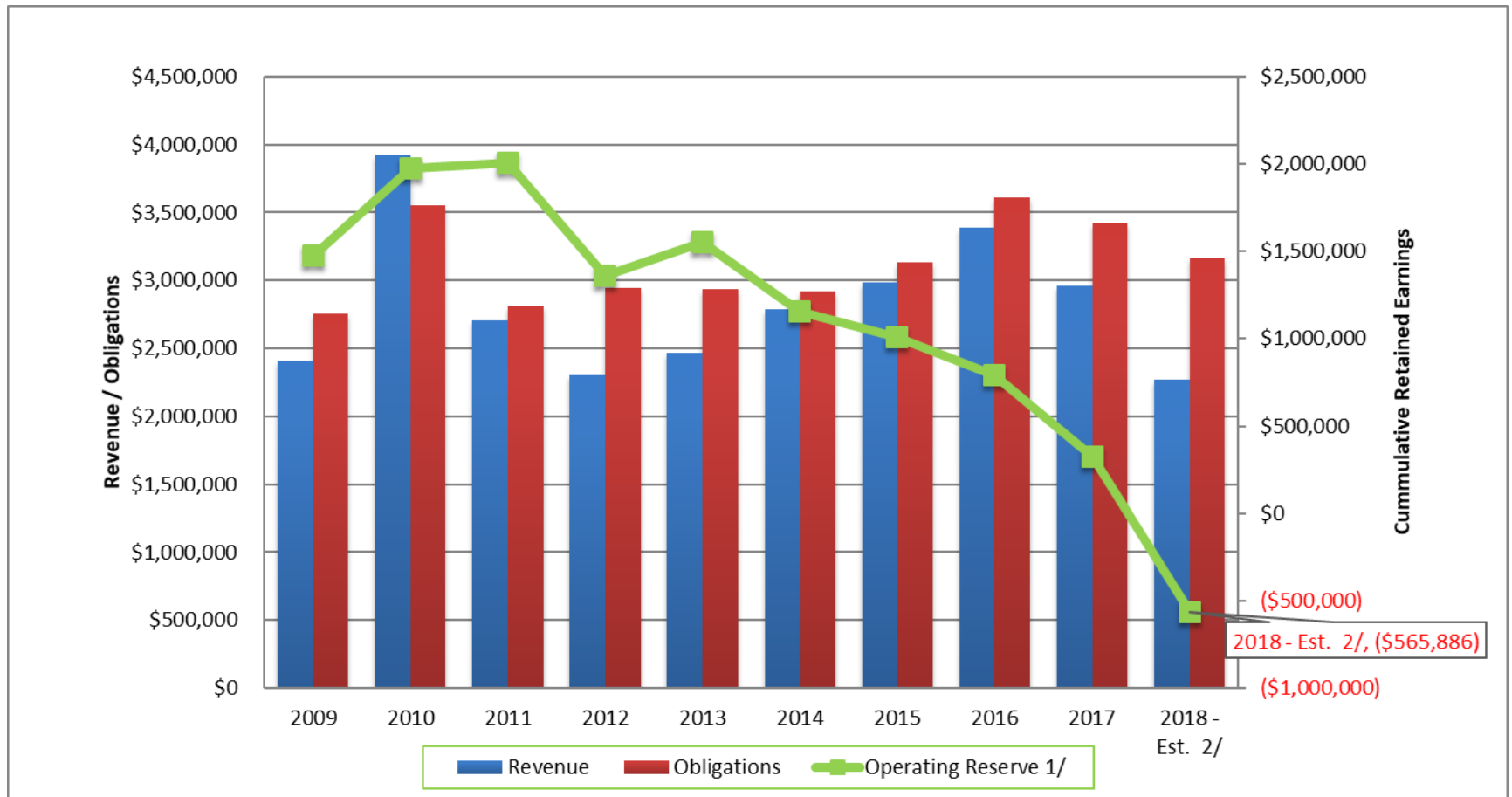
# Commodities Inspection Account

FY	Revenue	Obligations	Earnings/(Loss)	Operating Reserve <sup>1/</sup>
2009	\$2,409,025	\$2,755,096	(\$346,071)	\$1,475,496
2010	\$3,922,383	\$3,554,855	\$367,528	\$1,974,067
2011	\$2,703,674	\$2,810,566	(\$106,892)	\$2,006,530
2012	\$2,299,463	\$2,942,925	(\$643,462)	\$1,363,068
2013	\$2,468,450	\$2,938,789	(\$470,339)	\$1,551,486
2014	\$2,789,335	\$2,917,111	(\$127,775)	\$1,155,459
2015	\$2,981,485	\$3,129,262	(\$147,777)	\$1,007,682
2016	\$3,386,273	\$3,606,006	(\$219,733)	\$787,948
2017	\$2,957,556	\$3,418,981	(\$461,425)	\$326,523
2018 - Est. <sup>2/</sup>	\$2,271,570	\$3,163,979	(\$892,409)	(\$565,886)

<sup>1/</sup> Includes prior year adjustments after Annual Reporting is finalized in October of each year.

<sup>2/</sup> Est. FY Revenues and Costs for based on Period 10 Operating Plans

# Commodities Inspection Account (Cont.)



## Financial Data on Website

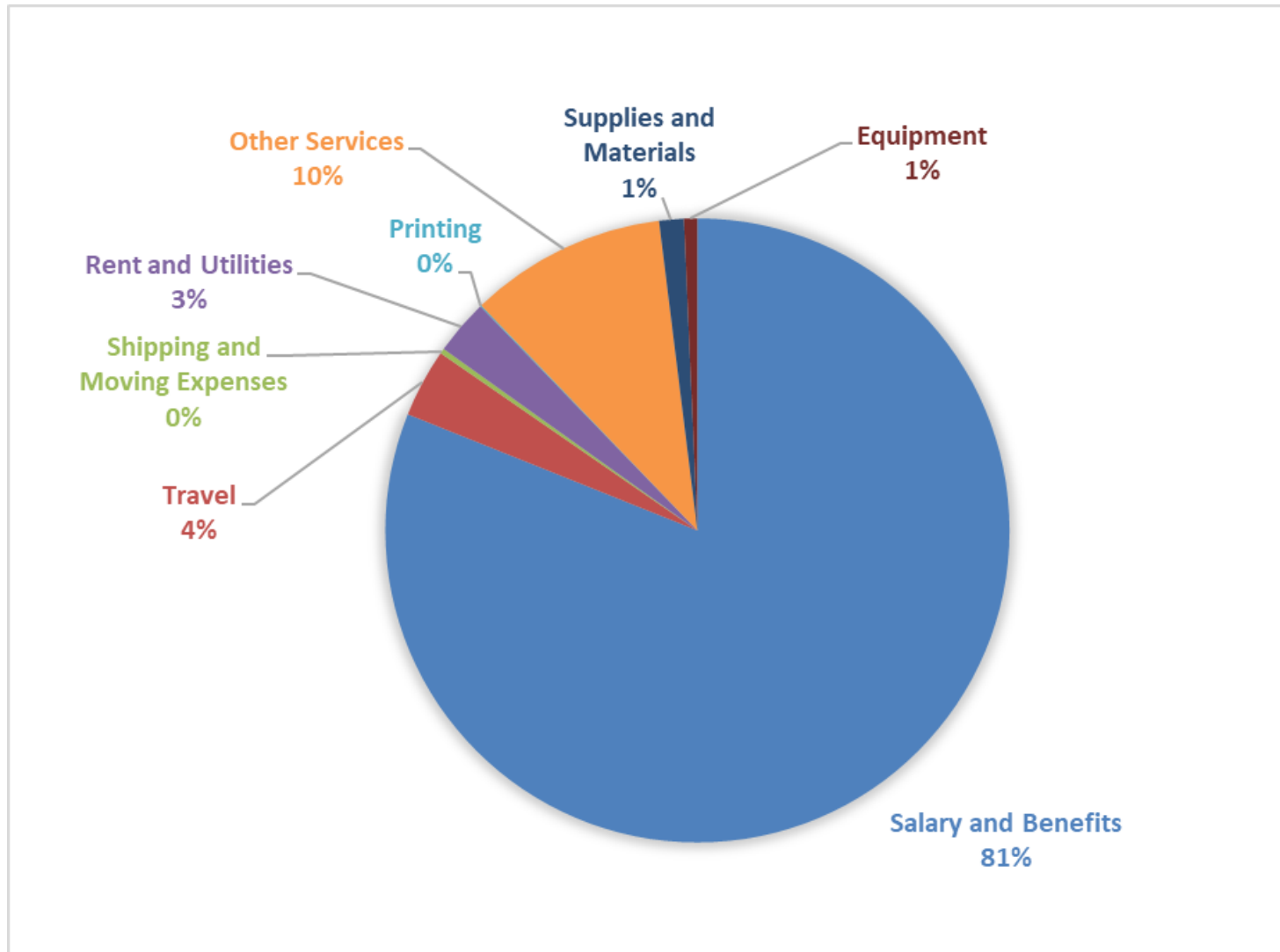
FGIS publishes on the public website FGIS Financial Data at [https://www.gipsa.usda.gov/fgis/public\\_financialdata.aspx](https://www.gipsa.usda.gov/fgis/public_financialdata.aspx)

FGIS User Fee Accounts data contains revenue, obligations, earnings/loss, and operating reserve balance for fiscal years 2013 – 2017 & Quarter 3 2018.

User Fee Obligations by Program and Category (i.e. salaries, travel, etc.) for fiscal years 2015 - 2017.

Inspection and weighing program data for revenue and expense by national tonnage fee, local tonnage fee, and the hourly/inspection fees for fiscal years 2013 – 2017 & Quarter 3 2018.

# FY17 User Fee Funding Obligations



# Purpose of Operating Reserves

FGIS Directive 9290.17 Fee-Supported Programs – User-Fee Analysis and Funding for Slow Periods and Terminated Programs

“fee-supported program should maintain an unobligated balance of at least 3 months of operating expenses.\* This unobligated balance is needed to cover accrued liabilities should the program terminate.”

**\*NOTE:** Depending on circumstances, more than 3 months may be necessary.

In section 800.71(b)(2) of the regulations, FGIS must adjust all inspection and weighing fees in Schedule A when the target of 4.5 months of operating reserve isn't maintained.

# Operating Reserves

	<b>Est FY18 EOY Operating Reserve</b>	<b>* FY17 calculated 4 1/2 Months program need</b>
<b>Inspection and Weighing</b>	\$ 19,861,180	\$ 15,080,702
<b>Supervision of Official Agencies</b>	\$ 5,051,125	\$ 667,485
<b>Rice Inspection</b>	\$ 8,956,351	\$ 2,039,930
<b>Commodities Inspection</b>	(\$ 565,886)	\$ 1,282,118
<b>Total</b>	\$ 33,302,770	\$ 19,070,235

**\*§79(j)(4) & §79a(l)(3) maintain an operating reserve of not less than 3 and not more than 6 months**

# Fee Reviews

FGIS is required to review fees annually for the fees in Schedule A of section 800.71 of the regulations.

FGIS tracks each user fee program monthly and posts quarterly data to the website.

FGIS conducts annual reviews of each user fee program annually and provides a proposal to the Deputy Administrator.

AMS budget staff in coordination with the AMS Financial Systems and Reporting Branch (AFSRB) conduct a biennial review of fees.



# National and Local Tonnage Fees

## Fiscal Year 2018 Third Quarter

Tonnage Fee	CY18 Fee	Revenue	Obligating Expense	Earnings/Loss	Metric Tons
Headquarters (HQ)	\$ 0.057	\$5,809,514	\$5,077,197	\$732,318	97,380,300
Portland <sup>1/</sup>	\$ 0.138	\$283,823	\$313,997	(\$30,173)	3,503,991
Toledo <sup>1/</sup>	\$ 0.225	\$258,102	\$215,262	\$42,840	1,263,896
New Orleans <sup>1/</sup>	\$ 0.084	\$1,496,682	\$1,472,325	\$24,357	49,089,069
League City <sup>1/</sup>	\$ 0.119	\$598,531	\$827,798	(\$229,267)	7,383,308

<sup>1/</sup> Includes Headquarter portion of the tonnage fee

Fee Published:

83FR6451 dated 02/14/2018, Correction 83FR11633 dated 03/16/2018

# Proposal to Remove Fee Tables

To ensure FGIS meets section 800.71(b) of the regulations (annual review of fees) deadline, AMS plans to propose removing the fee tables from the Code of Federal Regulations. This proposed action lessens the obstacles of regulatory burdens and streamlines the annual fee adjustment process, supports the Department's strategic goal of ensuring USDA programs are delivered efficiently and effectively.

Why is this a challenge? FGIS tonnage data is finalized on 15<sup>th</sup> of October, and fiscal year financials aren't finalized until the 15<sup>th</sup> of November each year. This leaves less than 45 days with holidays to clear the regulatory review process for posting in the Federal Register.

The proposed rule would describe the process for publishing a notice of any change in the fees going forward as follows: AMS would publish a notice in the Federal Register stating that the new fees based on the formula, and note the effective date of the new fee schedule. AMS would also make its fee schedule available on the Agency's public website.

# Supervision of Official Agencies Fee Suspension

Fee Suspension Published:

83FR24081 dated 05/24/2018, continuing a suspension of collecting the supervision fee that started on 07/01/2016 through 06/30/2019.

FGIS has determined that suspending the supervision fee collected by Official Agencies (OAs) is the best path to take to ensure that the operating reserve is between a 3 to 6 months of expenses.

# Fee Adjustments Published

Rice Inspection – 72FR1913 dated 01/17/2007

Processed and graded commodities – 66FR17775 dated 04/04/2001

Commodity Laboratory testing – 69FR1893 dated 01/13/2004

# Limitation on Obligations (Expenses)

For the second year in a row, FGIS user fee accounts were limited to \$55 million in obligations as we entered our 4<sup>th</sup> year of high grain exports.

**CONSOLIDATED APPROPRIATIONS, FISCAL YEAR 2018**  
**PUBLIC LAW 115-141 (SIGNED MARCH 23, 2018)**

## LIMITATION ON INSPECTION AND WEIGHING SERVICES EXPENSES

Not to exceed \$55,000,000 (from fees collected) shall be obligated during the current fiscal year for inspection and weighing services: Provided, That if grain export activities require additional supervision and oversight, or other uncontrollable factors occur, this limitation may be exceeded by up to 10 percent with notification to the Committees on Appropriations of both Houses of Congress.

# Why is the limitation a challenge?

As the Government starts each fiscal year we often are funded under a Continuing Resolution (CR) which limits spending to prior year levels. This limitation on funding causes FGIS to only fund immediate needs, such as payroll (including retirement lump sums), travel, rent, communications, maintenance contracts, supplies, etc. until a final budget is signed.

Also while under a CR, staff year limitations for the programs continue.

To insure FGIS has the necessary funding for the first quarter (grain harvest), we must closely review needs and often hold off on hiring replacement staff, hold off on necessary equipment replacements and repairs, and delay initiatives that require funding (i.e. lab automation, physical security updates, building repairs and updates) until a full budget is signed.

# FGIS Grain Regulatory Account

## Annual Appropriated Funding for:

- Standardization Activities
- Compliance Activities
- Monitoring in foreign ports grain
- Other provisions of the USGSA, except sections 79, 79a, 79b, 87e, and 87f-l which are financed by fees

Funds available one year; “use or lose” balances.

# Grain Appropriated Account

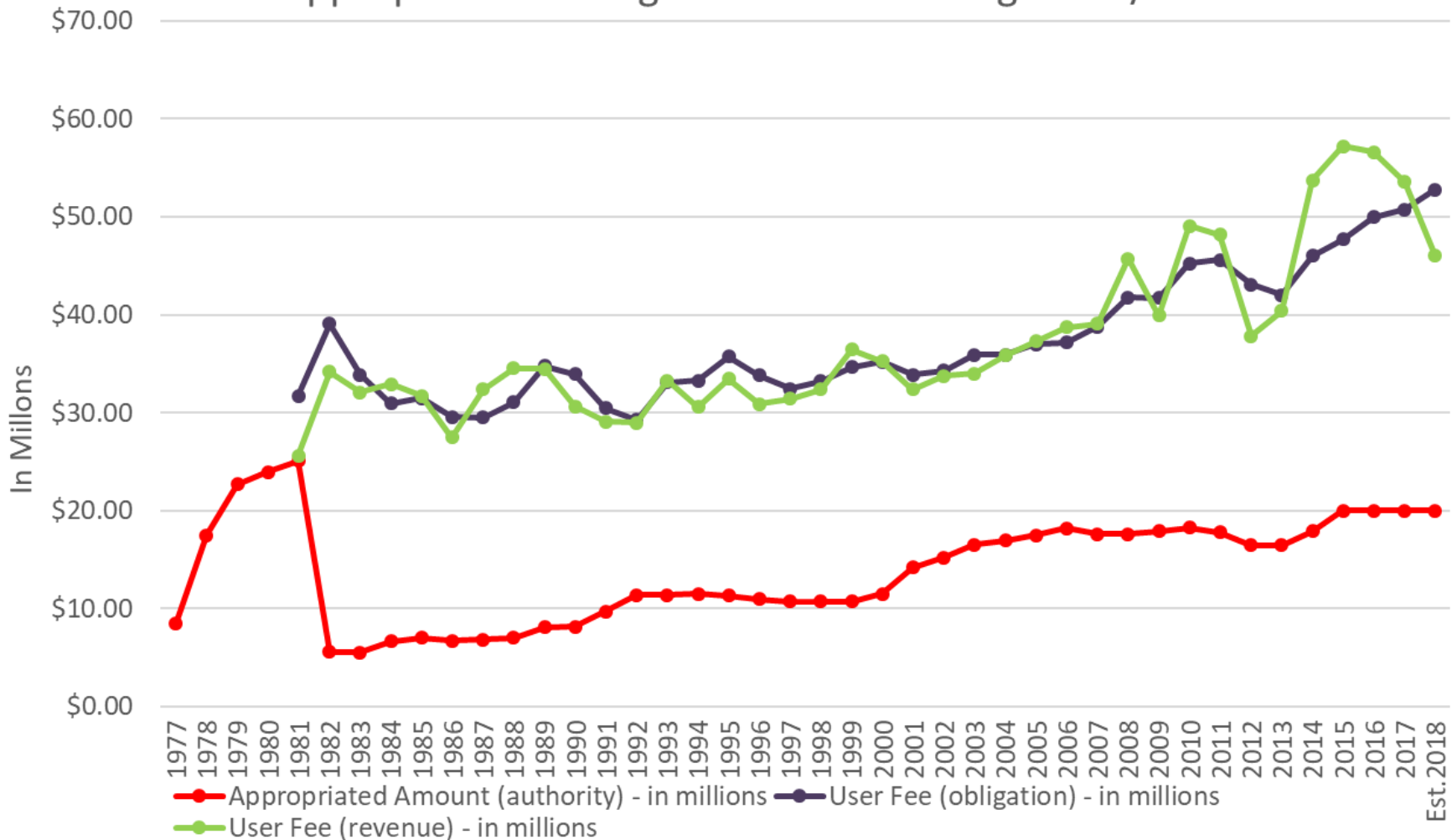
(Dollars in Millions)

FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
\$17.97	\$18.27	\$17.79	\$16.48	\$16.47	\$17.91	\$20.00	\$20.00	\$20.00	\$20.00



# Agricultural Marketing Service

## FGIS Appropriate Funding and User Fee Obligations/Revenue



# Estimated FY19 Funding

For FY19 planning purposes, FGIS is assuming a continuation for the 3<sup>rd</sup> year a User Fee CAP of \$55M on spending and Appropriated funding at \$20M, less AMS Overhead (OH).

As FGIS continues to work with AMS on processes to determine AMS OH obligations for the program, FGIS has placed a temporary line item for AMS OH at \$12.4M (User Fee \$7.3 & Appropriated \$5.1M).

Questions?