



United States  
General Accounting Office  
Washington, D.C. 20548

**Resources, Community, and  
Economic Development Division**

B-261675

June 23, 1995

The Honorable Pat Roberts  
Chairman, Committee on Agriculture  
House of Representatives

Dear Mr. Chairman:

The U.S. Department of Agriculture manages a number of programs that are funded primarily by user fees collected from identifiable beneficiaries of the services rendered. As requested, we have examined several issues concerning the growth and administration of user fee programs at three Department agencies of specific interest to your Committee--the Agricultural Marketing Service (AMS), Federal Grain Inspection Service (FGIS),<sup>1</sup> and Animal and Plant Health Inspection Service (APHIS). Specifically, we analyzed (1) trends in user fee revenues; (2) use of the revenues collected; (3) costs for legal services; and (4) comparison of user charges by federal, state, local governments and private entities for similar services.

In summary,

- The total amount of user fees collected at APHIS and AMS more than doubled between fiscal years 1988 and 1993, from \$145.2 million to \$295.6 million, while the third agency, FGIS, had a slight decrease, from \$34.2 million to \$33.3 million, during the same period.
- Most revenues collected through user fees (at least 90 percent) were used to fund program services. The remaining revenues were used to pay agency support costs.

---

<sup>1</sup>During our review, FGIS and the Packers and Stockyards Administration merged into the Grain Inspection, Packers and Stockyards Administration.

154536

- The agencies have generally been able to absorb the costs charged by the Department's Office of General Counsel (OGC) for providing legal services without adversely affecting their ability to deliver program services.
- Rates charged by the three agencies for program services, such as poultry grading and grain inspection, often differed from the rates charged by states, local governments, and private entities for similar services. Some of the agencies' charges were higher and some were lower than the other government and private entities' charges. These variations occurred because of such factors as differences in labor rates and the extent of state and local government subsidies.

BACKGROUND

In November 1992,<sup>2</sup> we reported that six of the Department's agencies accounted for more than 99 percent of the Department's revenues received from nonfederal sources. These revenues came from user fees for services that directly benefit individuals and businesses. Such services include, for example, grading, inspection, licensing, technical assistance, and land use at AMS, APHIS, FGIS, the Food Safety and Inspection Service, Forest Service, and Soil Conservation Service. In addition to user fees, the agencies receive annual appropriations to fund the costs of programs that benefit the general public.

During fiscal year 1993, the latest year for which complete data were available at the time of our review, the majority of the funding for AMS and FGIS programs came from user fees. In contrast, most of the costs for the APHIS programs were funded by appropriations. (See table 1.) A list of each agency's programs and the corresponding user fees and appropriations available during fiscal year 1993 is presented in enclosure I.

---

<sup>2</sup>USDA Revenues: A Descriptive Compendium (GAO/RCED-93-19FS, Nov. 27, 1992).

Table 1: User Fee and Appropriations, Fiscal Year 1993

Dollars in millions

Agency	User fees		Appropriations	
	Number of programs (%) <sup>a</sup>	Funding (%) <sup>a</sup>	Number of programs (%) <sup>a</sup>	Funding (%) <sup>a</sup>
AMS	17 (68%)	\$161.9 (69%)	8 (32%)	\$ 72.4 (31%)
FGIS	5 (62%)	33.3 (74%)	3 (38%)	11.5 (26%)
APHIS <sup>b</sup>	10 (19%)	133.8 (28%)	43 (81%)	349.1 (72%)

<sup>a</sup>Refers to the percent of total number of programs or funding for the programs.

<sup>b</sup>In addition to the \$349.1 million in appropriations for the 43 programs, APHIS received \$83.4 million in appropriations for the Agricultural Quarantine Inspection program, for a total of \$432.4 million. The \$83.4 million was to be reimbursed from user fees collected by this program.

The Secretary of Agriculture has the authority to revise fees for the majority of programs at the three agencies. The agencies review their program costs in light of revenues received and estimate future revenues and costs to determine whether adjustments are needed in current fee structures. This process usually occurs annually. For some programs, the Congress plays a more direct role in determining fees. For example, the Congress establishes the range and ceiling on user fees for AMS' Perishable Agricultural Commodities Act program.

TRENDS SHOW AN OVERALL  
INCREASE IN USER FEE REVENUES

User fee revenues grew by a total of about \$150 million (or approximately 104 percent) at APHIS and AMS between fiscal years 1988 and 1993, while FGIS experienced a slight decrease during the same period. (See enclosure II.) APHIS' revenues from user fees increased principally because APHIS began charging fees for services provided by four new programs. These services were previously funded by appropriations. AMS officials told us that revenues increased because of growth in demand for program services

and the higher rates imposed on most programs to pay for annual cost-of-living increases for its personnel. According to FGIS officials, total user fee revenues decreased primarily because of a decline in inspection services requested.

APHIS' user fee revenues increased from \$23.9 million in fiscal year 1988 to \$133.8 million in fiscal year 1993. APHIS' revenues increased primarily because four programs previously funded with appropriations were converted to user fee funding between fiscal years 1991 and 1993.<sup>3</sup> Revenue from the four programs during fiscal year 1993 was approximately \$108 million. One of these programs, the Agricultural Quarantine Inspection program, represented about \$104 million. Without the addition of these four programs, user fee collections would have increased by \$2.1 million (or about 9 percent) during the period.

AMS' user fee revenues grew from \$121.3 million to \$161.9 million from fiscal years 1988 to 1993--an increase of \$40.6 million (or about 33 percent). The amount of user fee revenues collected by AMS increased because the demand for program services, particularly cotton grading, increased. The agency also collected additional revenues because it raised user fees to help pay for annual cost-of-living increases for its personnel.

In contrast to these increases, FGIS experienced a \$900,000 decline in user fee revenues. This amount represents about 3 percent of the fiscal year 1988 user fee revenues. Three of FGIS' five inspection programs (grain, supervision of states and agencies, and miscellaneous commodities) spent from \$100,000 to \$1.1 million less in fiscal year 1993 than they had in fiscal year 1988. According to FGIS officials, the decline in user fee revenues was due primarily to a decline in inspection services requested.

Funding for appropriations-supported programs increased for all three agencies from fiscal years 1988 to 1993. For AMS, funding for its appropriations-supported programs grew about 69 percent (from \$42.8 million to \$72.4 million), compared with about a 33-percent growth in its user fees. AMS officials said that appropriations increased as a result of new programs. APHIS' appropriations-supported

---

<sup>3</sup>These four programs are the Agricultural Quarantine Inspection, Phytosanitary Certificates, Import-Export Inspection, and Veterinary Diagnostics.

programs grew by 6 percent (from \$329.3 million to \$349.1 million), while its fiscal year 1993 user fee program revenues were over four times greater than in fiscal year 1988, mainly because the four programs were added during the period. Although FGIS experienced about a 3-percent decline in its user fees, its appropriations-supported programs grew by about 51 percent (from \$7.6 million to \$11.5 million) during the period. FGIS officials said this increase in appropriations was necessary to support expanded programs.

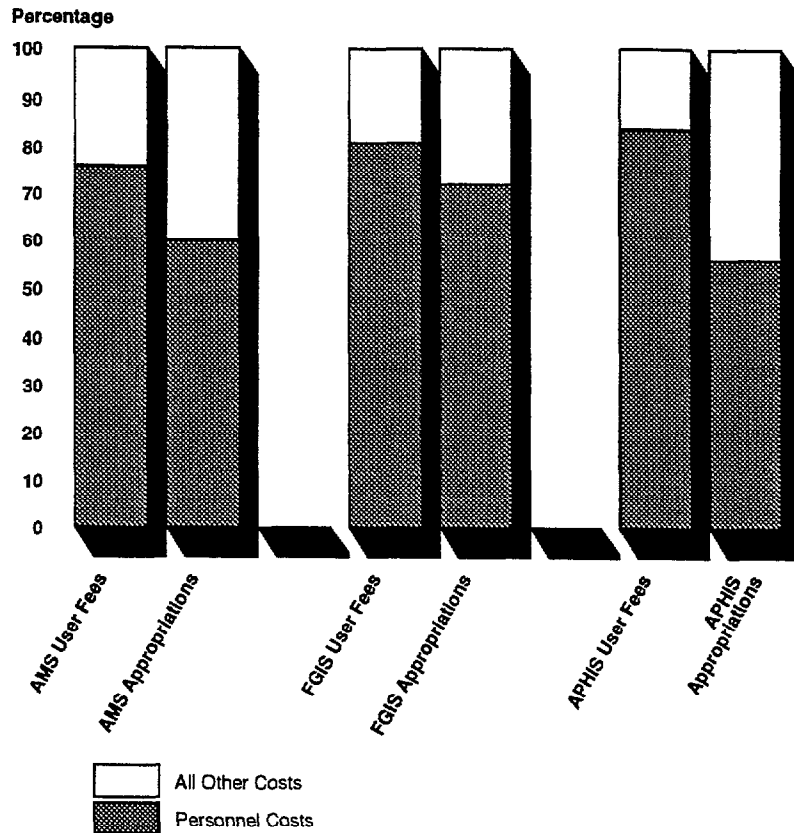
USER FEE REVENUES MAINLY  
SUPPORT DIRECT PROGRAM SERVICES

For fiscal year 1993, the three agencies spent a minimum of 90 percent of their revenues from user fees to provide program services, such as inspecting grain and grading poultry. Similarly, the agencies spent a minimum of 89 percent of their appropriations funding to provide program services for appropriations-supported programs. The agencies used the balance of their user fees and appropriations to fund agency support costs.

Some user fee programs used a larger percentage of their revenues to help fund agency support costs than did other programs. At the beginning of the fiscal year, each user fee program is assessed a proportional share of agency support costs on the basis of each program's projected revenues. Year-to-year fluctuations in demands for program services, caused by factors such as harvest results, will affect the amount of actual revenues received. This, in turn, can result in individual programs having either a higher or lower percentage of their total revenues used for agency support costs than the agency average.

Personnel was the single largest cost element for both the program and agency support cost categories. This cost consumed from 76 to 84 percent of the agencies' user fee revenues and from 56 to 72 percent of their appropriations. (See fig. 1.) The appropriations-supported programs, especially at AMS and APHIS, spent a lower percentage on personnel generally because they use grants and contracts to obtain assistance from states and other entities to help implement the programs.

Figure 1: Percentage of User Fees and Appropriations Spent on Personnel and All Other Costs, Fiscal Year 1993



AGENCIES HAVE GENERALLY ABSORBED LEGAL COSTS WITHOUT ADVERSELY AFFECTING THEIR ABILITY TO DELIVER PROGRAM SERVICES

Prior to fiscal year 1993, OGC had absorbed its costs for providing legal services to user fee programs through its own appropriations. Because the Office of Management and Budget (OMB) considered legal services to be an integral component of programs funded by user fees, it determined that these expenses should be reimbursed along with the other administrative and supervisory costs incurred by the Department. OGC charges for such services as reviewing amendments to program regulations and changes to fee structures. According to AMS, APHIS, and FGIS officials, this change, effective for the fiscal year 1993 budgets,

B-261675

has not significantly affected the agencies' ability to deliver services for most user fee programs.

The impact of this additional cost varied among the user fee programs. According to officials at the three agencies, most programs have either been able to absorb this additional cost within their current fee structure, used programs reserves built up during years of surplus, or, at most, raised fees minimally to offset the cost. A notable exception was AMS' Perishable Agricultural Commodities Act (PACA) program. This program uses OGC services more extensively than do other user fee programs, especially litigation services for resolving complaints among its program users--buyers and sellers in the fresh and frozen fruit and vegetable marketing chain. As we testified in March 1995 before the House Subcommittee on Risk Management and Specialty Crops, Committee on Agriculture,<sup>4</sup> the resulting costs, along with the legislative ceiling placed on PACA fees, are putting this program's solvency at risk. While AMS can adjust the rate structures for most of its user fee programs, PACA rate ceilings are established by the Congress. AMS is authorized to adjust the fees up to the existing ceiling. The agency's latest revision to the rate structure, in March 1991, met the current ceiling, which was set in fiscal year 1988.

RATES CHARGED BY AGENCIES AND OTHER ENTITIES  
WERE OFTEN NOT COMPARABLE FOR SIMILAR SERVICES

For three of the four grading and inspection programs we reviewed, the rates the agencies charged for providing program services were often different from the rates that states, local governments, and private entities charged for providing similar services. Some of the agencies' charges were higher and some were lower than the other government and private entities' charges. These variations occurred because of such factors as differences in labor rates and the extent of state and local government subsidies. For example:

-- Export grain inspection fees varied across the eight states that perform this function for FGIS under

---

<sup>4</sup>USDA License Fees: Analysis of the Solvency and Users of the Perishable Agricultural Commodities Act Program (GAO/TRCED-95-135, Mar. 16, 1995).

delegations of authority. In 1993,<sup>5</sup> we reported that during fiscal year 1992, FGIS charged an average of .47 cents per bushel to perform export grain inspections. The eight states charged from .34 cents to .91 cents per bushel. These variations in fees were due to the volume of work and differences in labor cost.

- To issue phytosanitary certificates attesting to the pest-free condition of a shipment of plants, APHIS charges \$19 and \$30 for each noncommercial and commercial certificate, respectively. Shipments must have these certificates to be exported. APHIS has also established cooperative agreements with states to perform this function. California shares this responsibility with its 58 counties, which have established a range of fees for their services. According to a review by the Department's Office of Inspector General,<sup>6</sup> the fees in California's counties varied because of different methods used to recover costs--hourly rates for inspections, shipment tonnage, per inspection charge, per unit charge, and no charge. For example, one county charged an exporter \$913 for a certificate to export 7,500 tons of seed, basing the fee on the number of units inspected. For the same shipment, a neighboring county would have charged \$10--its fee for an inspection. According to agency officials, these rates varied mainly because of differences in county subsidies.
- AMS and 10 states perform poultry grading services. While AMS and New Jersey charged the same hourly rate (\$25.16), the remaining nine states, located mainly in the South, provided the same type of poultry grading services at lower rates, ranging from \$15.75 to \$23.00. The variance in the rates were attributable to lower labor costs and state subsidies.

In contrast, rates charged by AMS and the states were uniform for fresh fruit and vegetable grading services

---

<sup>5</sup>Grain Inspection: Industry Views on the Decline in Official Inspections and Inspection Costs (GAO/RCED-93-147, Apr. 30, 1993).

<sup>6</sup>Animal and Plant Health Inspection Service Controls Over Phytosanitary Certificates In California, Audit Report 33003-1-SF, Feb. 1, 1993; Office of the Inspector General, U.S. Department of Agriculture.



conducted at receiving points. Currently, states perform this service in 100 markets under cooperative agreements, while AMS performs the same service in an additional 35 markets. AMS established a uniform rate of \$74 per rail car or single trailer load at each of the 135 sites. In addition to performing this service at receiving points, states perform all of the grading services for fresh fruits and vegetables at shipping points under federal supervision. Unlike the uniform rate charged at receiving points, the states charge varying rates at shipping points --from \$0 to \$45 per hour. This variance results because of the differences in state subsidies and local labor rates.

#### AGENCY COMMENTS

We discussed the contents of this report with the Director of the Financial Management Division, AMS; Director of the Budget and Accounting Division, APHIS; and Director of the Resources and Management Division, FGIS. These officials coordinated their agencies' response with program officials. While providing some clarifying comments, the officials generally agreed with the information discussed. We have incorporated their comments where appropriate.

#### SCOPE AND METHODOLOGY

At the request of the Chairman, House Committee on Agriculture, we conducted our review at three agencies-- AMS, FGIS, and APHIS. These three agencies collected about \$303 million in nonfederal revenues during fiscal year 1992, representing 84 percent of such revenues received by the U.S. Department of Agriculture for performing grading and inspection services. The remaining 16 percent of the revenues were collected by the Food Safety and Inspection Service, which was not included in our review.

To analyze historical trends in user fee revenues, we compared data for fiscal years 1988 and 1993, the latest year for which complete data were available at the time of our review. We compared revenues with program costs for the fiscal year 1993 user fee programs to determine how the agencies spent these revenues for program and agency support costs.

To determine the impact of OGC charges for legal services, we examined each user fee program's budget for fiscal years 1993 through 1995 (projected). To determine whether agencies' charges for grading and inspection services were

B-261675

comparable with charges levied by states, local governments, and private entities that provide similar services, we reviewed fee data for the agencies and the other government and private entities. We also met with responsible agency officials to obtain information.


We conducted our work from May 1994 through June 1995 in accordance with generally accepted government auditing standards.

- - - -

We are sending copies of this report to the appropriate congressional committees, interested Members of Congress, the Secretary of Agriculture, and other interested parties. We will also provide copies to others on request.

Please call me at (202) 512-5138 if you or your staff have any questions about this report.

Sincerely yours,



John W. Harman  
Director, Food and  
Agriculture Issues

Enclosures - 2

FUNDING FOR USER FEE- AND APPROPRIATIONS-SUPPORTED PROGRAMSTable I.1: Agricultural Marketing Service, Fiscal Year 1993

Dollars in millions

<b>User fee programs (17):</b>	<b>Funding</b>
1. Cotton grading	\$ 33.91
2. Processed fruit and vegetable grading	32.05
3. Poultry and egg grading	22.44
4. Meat grading	18.02
5. Fresh fruit and vegetable grading	13.98
6. Domestic tobacco grading	12.42
7. Licensing/reparations (PACA) <sup>a</sup>	7.18
8. Dairy products grading	5.93
9. Laboratory testing	5.66
10. Imported tobacco inspection	4.09
11. Research and promotion	1.91
12. Cotton futures and standards	1.46
13. Market news printed reports	0.97
14. Egg products inspection	0.96
15. Plant variety inspection	0.77
16. Seed testing	0.08
17. Cattle futures grading	0.03
<b>Total (user fee revenues)</b>	<b>\$161.86</b>
<b>Appropriations programs (8):</b>	
1. Market news	\$ 19.08
2. Inspections and standardization	17.10
3. Market development and assistance	13.79
4. Marketing agreements and orders	10.31
5. Commodity purchase services	6.06
6. Transportation services	2.57
7. Wholesale market development	2.31
8. Federal seed	1.16
<b>Total (appropriations)</b>	<b>\$ 72.38</b>

<sup>a</sup>Perishable Agricultural Commodities Act.

Table I.2: Federal Grain Inspection Service, Fiscal Year 1993

Dollars in millions

<b>User fee programs (5):</b>	<b>Funding</b>
1. Grain inspection	\$23.2
2. Miscellaneous commodities inspection	4.2
3. Rice inspection	3.8
4. Supervision of states and agencies	1.6
5. Inspection of U.S. grain exported from Canada	0.5
<b>Total (user fee revenues)</b>	<b>\$33.3</b>
<b>Appropriations programs (3):</b>	
1. Grains standards act (GSA) standardization	\$ 6.5
2. GSA compliance	4.7
3. Agricultural marketing act standardization	0.3
<b>Total (appropriations)</b>	<b>\$11.5</b>

Table I.3: Animal and Plant Health Inspection Service,  
Fiscal Year 1993

Dollars in millions

<b>User fee programs (10):</b>	<b>Funding</b>
1. Agricultural quarantine inspection	\$103.75 <sup>7</sup>
2. Reimbursable overtime (veterinary services and plant protection and quarantine)	9.48
3. Animal damage control reimbursements	6.89
4. Miscellaneous contributed funds (for inspection--country of origin/birds and animals)	5.52
5. Phytosanitary certificates	2.91
6. Feeding and handling--animals/birds in quarantine	2.78
7. Quarantine--Truman animal import center	1.20
8. Import-export inspection	1.02
9. Quarantine--imported birds and animals (illegal birds)	0.15
10. Veterinary diagnostics	0.07
<b>Total (user fee revenues)</b>	<b>\$133.77</b>

<sup>7</sup>While this program generated \$103.75 million in user fee revenues, the Congress limited spending to \$83.36 million during the fiscal year.

<b>Appropriations programs (43):</b>	<b>Funding</b>
1. Brucellosis	\$ 67.00
2. Screwworm	34.01
3. Animal damage control operations	25.61
4. Agricultural quarantine inspection	22.22
5. Animal disease detection	16.83
6. Veterinary diagnostics	14.34
7. Boll weevil	13.41
8. Mediterranean fruit fly	10.05
9. Veterinary biologics	9.73
10. Animal control methods development	9.52
11. Animal welfare	9.19
12. Pseudorabies	9.00
13. Import-export inspection	8.00
14. Biotechnology environmental protection	7.65
15. Cattle ticks	6.17
16. Animal and plant health regulatory enforcement	5.79
17. Witchweed	5.39
18. Gypsy moth	5.15
19. Plant methods development laboratories	5.03
20. Grasshopper and mormon cricket (no year)	5.00
21. Contingencies: plant and animal diseases and pests	5.00
22. Biocontrol	4.60
23. International programs	4.50
24. Pest detection	3.98
25. Fruit fly detection	3.94
26. Foot and mouth disease	3.89
27. Grasshopper and mormon cricket	3.85
28. Tuberculosis	3.74
29. Imported fire ants	3.70
30. Swine health protection	3.59
31. Salmonella enteritidis	3.40
32. Miscellaneous plant and animal diseases	3.22
33. Pink bollworm	2.79
34. Integrated systems acquisition project	2.51
35. Russian wheat aphid	2.40
36. Mexican fruit fly	1.16
37. Sweet potato whitefly	0.85
38. Poultry diseases	0.72
39. Golden nematodes	0.65
40. Noxious weeds	0.63
41. Honeybee pests	0.53
42. Horse protection	0.36
43. National poultry improvement plan	0.25
<b>Total (appropriations)</b>	<b>\$349.08</b>

CHANGES IN USER FEE PROGRAM FUNDING, FISCAL YEARS 1988 TO 1993Table II.1: Agricultural Marketing Service

Dollars in millions

<b>User fee programs:</b>	<b>FY 1988</b>	<b>FY 1993</b>	<b>Changes (+/-)</b>
1. Cotton grading	\$ 20.04	\$ 33.91	\$+13.87
2. Processed fruit and vegetable grading	25.90	32.05	+ 6.15
3. Poultry and egg grading	19.34	22.44	+ 3.10
4. Meat grading	18.08	18.02	- 0.06
5. Fresh fruit and vegetable grading	10.00	13.98	+ 3.98
6. Domestic tobacco grading	9.60	12.42	+ 2.82
7. Licensing/reparations (PACA)	4.75	7.18	+ 2.43
8. Dairy products grading	8.39	5.93	- 2.46
9. Laboratory testing	0.00	5.66	+ 5.66
10. Imported tobacco inspection	1.55	4.09	+ 2.54
11. Research and promotion	0.99	1.91	+ 0.92
12. Cotton futures and standards	0.62	1.46	+ 0.84
13. Market news printed reports	1.04	0.97	- 0.07
14. Egg products inspection	0.59	0.96	+ 0.37
15. Plant variety inspection	0.19	0.77	+ 0.58
16. Seed testing	0.07	0.08	+ 0.01
17. Cattle futures grading	0.14	0.03	- 0.11
<b>Total (user fee revenues)</b>	<b>\$121.29</b>	<b>\$161.86</b>	<b>\$+40.57</b>

Table II.2: Federal Grain Inspection Service

Dollars in millions

<b>User fee programs:</b>	<b>FY 1988</b>	<b>FY 1993</b>	<b>Changes (+/-)</b>
1. Grain inspection	\$23.3	\$23.2	\$-0.1
2. Miscellaneous commodities inspection	5.3	4.2	-1.1
3. Rice inspection	3.2	3.8	+0.6
4. Supervision of states and agencies	2.1	1.6	-0.5
5. Inspection of U.S. grain exported from Canada	0.3	0.5	+0.2
<b>Total (user fee revenues)</b>	<b>\$34.2</b>	<b>\$33.3</b>	<b>\$-0.9</b>



Table II.3: Animal and Plant Health Inspection Service

Dollars in millions

<b>User fee programs:</b>	<b>FY 1988</b>	<b>FY 1993</b>	<b>Changes (+/-)</b>
1. Agricultural quarantine inspection	\$ 0.00	\$103.75	\$+103.75
2. Reimbursable overtime (veterinary services and plant protection and quarantine)	14.67	9.48	- 5.19
3. Animal damage control reimbursements	3.95	6.89	+ 2.94
4. Miscellaneous contributed funds (for inspection--country of origin/birds and animals)	2.95	5.52	+ 2.57
5. Phytosanitary certificates	0.00	2.91	+ 2.91
6. Feeding and handling--animals/birds in quarantine	1.87	2.78	+ 0.91
7. Quarantine--Truman animal import center	0.29	1.20	+ 0.91
8. Import-export inspection	0.00	1.02	+ 1.02
9. Quarantine--imported birds and animals (illegal birds)	0.17	0.15	- 0.02
10. Veterinary diagnostics	0.00	0.07	+ 0.07
<b>Total (user fee revenues)</b>	<b>\$23.90</b>	<b>\$133.77</b>	<b>\$+109.87</b>

(150885)



---

---

### Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

**Orders by mail:**

**U.S. General Accounting Office  
P.O. Box 6015  
Gaithersburg, MD 20884-6015**

**or visit:**

**Room 1100  
700 4th St. NW (corner of 4th and G Sts. NW)  
U.S. General Accounting Office  
Washington, DC**

**Orders may also be placed by calling (202) 512-6000  
or by using fax number (301) 258-4066, or TDD (301) 413-0006.**

**Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (301) 258-4097 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.**

---

**United States  
General Accounting Office  
Washington, D.C. 20548-0001**

**Bulk Mail  
Postage & Fees Paid  
GAO  
Permit No. G100**

**Official Business  
Penalty for Private Use \$300**

**Address Correction Requested**

---