AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2021

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES

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PART 2

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AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2021

TUESDAY, FEBRUARY 11, 2020.

USDA OFFICE OF THE INSPECTOR GENERAL

WITNESSES

PHYLLIS FONG, INSPECTOR GENERAL, USDA, OFFICE OF THE INSPECTOR GENERAL

ANN COFFEY, DEPUTY INSPECTOR GENERAL, USDA OFFICE OF INSPECTOR GENERAL

GIL HARDEN, ASSISTANT INSPECTOR GENERAL FOR AUDIT, USDA OFFICE OF INSPECTOR GENERAL

PETER PARADIS, SR., ACTING ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS, USDA OFFICE OF INSPECTOR GENERAL

Mr. BISHOP. The subcommittee will come to order.

We are gathered today for our oversight hearing, and we will entertain the USDA Inspector General, Ms. Phyllis Fong. I would like to welcome everyone to the subcommittee's first hearing of the calendar year.

Thank you to our witnesses, Ms. Fong, Ms. Coffey, Mr. Harden, and Mr. Paradis. I have a strong interest in your work and what you do. We have got to do everything that we can possibly do to eliminate fraud, waste, and abuse and mismanagement. We need to ensure that all of the USDA programs over which our subcommittee has jurisdiction and oversight are operated with the best possible efficiencies in order to create the best possible outcome for those who are customers of the agency.

As I mentioned at last year's hearing, I have concerns about the number of audit recommendations that remain open and the agency's efforts to close them out. Your last semi-annual report shows 351 recommendations that are still pending corrective actions, some as old as 1996.

On the investigation side, it looks like the OIG Hotline has had a pretty busy year with the number of complaints having increased by more than 35 percent over 2018.

So today I would like to hear more about your plans to conduct adequate oversight of USDA programs and the challenges that you face in ensuring agreed upon recommendations are implemented and complaints are appropriately addressed.

In addition, I would like to ensure that whistleblower and civil rights issues are getting thoughtful and proper attention throughout USDA.

I look forward to discussing with you those issues as well as other important issues.

And I want to say, again, that we really appreciate all of the work that the OIG staff does and all that you do to help our government work more efficiently and effectively.

Now, our distinguished Ranking Member Fortenberry has been delayed and I will defer his opening remarks until his arrival. In the meantime, I will recognize Mr. Aderholt, a former chair, for a welcome and any remarks that he might care to give at this time.

Mr. ADERHOLT. Thank you, Mr. Chairman.

Well, welcome all of you, Ms. Fong, Ms. Coffey, Mr. Harden, and Mr. Paradis. Thank you for taking time to be here. On behalf of the ranking member this morning, who I know will be joining shortly, we are always glad to have you to this subcommittee to hear about your work in oversight. The work that you do as oversight, of course, we deem as very important, and what we look forward to hearing from you today are some things that how we can try to help you with the funding process to make your job easier, better, and more accountable to the American people.

So with that, I will just close and say, we look forward to your testimony, and thanks, again, for being here.

Mr. BISHOP. Thank you, Mr. Aderholt.

And before Ms. Fong begins, a reminder to members that as is customary with our subcommittee, our members will be recognized by seniority for those who were here when I gaveled the hearing to order and then in the order of arrival after that, with some exceptions because members do have some conflicting meetings and I will try to accommodate them to the extent that we can. I would like to alternate majority and minority members, and we will adhere to the 5-minute rule.

And, Ms. Fong, without objection, your entire written testimony will be included in the record. And I will now recognize you for your statement and then we will proceed with questions. You may summarize or you may give an entire statement. It is completely up to you.

Excuse me. Since Mr. Fortenberry has arrived, if I can allow you to delay for a moment, I would like to recognize Mr. Fortenberry as soon as he is able to be seated for any opening remarks that he would like to give at this time.

Mr. FORTENBERRY. Thank you, Mr. Chairman.

Mr. BISHOP. Mr. Aderholt gave a welcome and announced that you would be arriving shortly. And so at this time, I would like to recognize our distinguished ranking member, Mr. Fortenberry, for any opening remarks that he might have.

Mr. FORTENBERRY. Thank you, Mr. Chairman. Thank you for your indulgence. I apologize for coming late. I am sure Mr. Aderholt's opening was lofty and eloquent as usual. So thank you.

I will be very quick since I am delaying everyone.

Ms. Fong, thank you for coming, and thank you all for being here. We have interacted for a number of years now and appreciate your fine work.

So there are really three things. One is, you were charged with the responsibility of overseeing programmatic integrity, to make sure that the moneys add up, but as a second chapter of that job, to make sure that there is program effectiveness. I want to explore that question a little bit deeper.

Of course, we look for the possibilities of fraud and bad actors in government programming that result in potential theft or misuse of money, but also by putting up guardrails to your work ensures that good people actually remain accountable and that is important as well.

But the third part of this is not just the accounting and the fraud or the waste, it is the idea of, again, effectiveness, and I want to go into that a little bit deeper. I am also simply going to ask you when we get to questions, if you were sitting right here and I was sitting right there, what would you ask me?

Thank you, Mr. Chairman.

Mr. BISHOP. Thank you, Mr. Fortenberry.

Now Ms. Fong.

Ms. FONG. Well, thank you very much, Mr. Chairman, Ranking Member Fortenberry, Mr. Aderholt, and all of the members of the subcommittee. We are very pleased to be here today, and we have enjoyed our interactions with you over the past year in various ways and on various issues.

And I want to just on behalf of the entire staff of OIG thank you for your support over the years and your interest in our work. It really means a lot to all of us to know that you are watching us and that you care about what we do. So thank you so much.

We mentioned, Mr. Chairman, that my written statement is in the record, so I just want to spend a few minutes today talking about some of the ongoing work that we have, which we may not be able to get into in great detail, but I think it will give you an idea of the issues we are dealing with, and then we can get on to the questions and answers.

So in the area of security, safety, and public health, we are currently looking at USDA agency's security controls for managing user access to the IT systems. Cybersecurity is critical to USDA, so that is why we are engaging in that work.

We are also evaluating APHIS' activities to ensure that dog breeders comply with the Animal Welfare Act in response to concerns by the members.

In the second area of our portfolio, to ensure that USDA delivers program benefits effectively and with integrity, we have a number of ongoing reviews of disaster-related programs. And this is particularly in recognition of the funding that your committee has provided to us over the past number of years. We are really ramping up our oversight of disaster delivery this year. We have got five audits in process across the portfolio.

We are also looking at, in a different area of USDA, USDA's implementation of the trade mitigation packages, as well as FAS grant selection for the Agricultural Trade Promotion Program. We recognize that trade is a very important topic for all of us and we want to keep oversight of those funds.

In our third area of focus we are looking at the Department's ability to manage its resources effectively to deliver programs. And

so we are always engaged in our annual reviews of improper payments, that is a high priority for us, as well as the Department's financial statements to ensure that financial management is effective. We are also looking at the Office of the Assistance Secretary for Civil Rights portfolio, in particular their oversight of the civil rights program complaint process. We want to ensure that that office is handling those kinds of complaints appropriately and timely.

And then in the area of crop insurance, we are looking at RMA's activities to improve insurance products developed by private parties under Section 508(h) of the Federal Crop Insurance Act.

I should also mention that in addition to these areas of focus, we have a number of ongoing reviews in response to requests from Members of Congress. Last year we received a number of requests that we looked into various activities at the Department, and these range across the Department's portfolio. They concern topics such as FSIS swine slaughter rulemaking, scientific research integrity and capacity, potential duplication in housing programs, delivery of disaster nutrition assistance funding to Puerto Rico, and SNAP electronic benefits transfer services at farmers markets.

So I think that gives you an idea of the range of interests that we are hearing from our oversight members in Congress.

So in closing, I want to just thank you, all of you, for your continuing interest in our work. We appreciate the funding you have made available to us, both through the regular appropriation process as well as the disaster supplemental appropriation process. And we hope that you support the President's request for us for $100.3 million for fiscal year 2021.

Thank you very much, and we are happy to respond to your questions.

Mr. BISHOP. Thank you very much, Ms. Fong.

At this time, without objection, I would like to recognize the gentlelady from Minnesota out of order as she is currently chairing a hearing and we would like to make sure that she is able to ask her questions before she departs.

Ms. MCCOLLUM. Thank you, Mr. Chair, and thank you to the committee members for your understanding and respect.

Well, as you pointed out, you conduct audits, inspections, and review, and make recommendations on how to improve USDA programs and how they operate it. So I am here to ask for your help.

Last year at a hearing I brought up to the Department of Agriculture their abrupt decision to cancel a mineral withdrawal study on the Rainy River Watershed in Minnesota. It is adjacent next to the Boundary Waters Canoe Area Wilderness. The study was canceled in 2018, 20 months into a 24-month study, with nothing more than a one-page press release.

A year before, Secretary Perdue testified before the Interior, Environment Subcommittee on May 25, 2017, that the study would be completed and that, and I quote, "No decision will be made prior to the conclusion of that," end of quote. Yet a decision was made when the Trump administration officially renewed two Federal mineral leases for Twin Metals in May 2019.

I have sent multiple letters to Secretary Perdue, along with chairs from the Natural Resources Committee, first November 2018

and again March 2019, asking USDA to release the relevant documentation from the 20-month review.

I also asked the Secretary about the cancelation of the study at the USDA budget hearing on April 2019. He told this committee he knew what the Forest Service decision was based on and he would do his best to provide documentation to us. I have yet to receive any information or documentation from the Secretary.

A nongovernmental organization has also tried to obtain relevant documentation and correspondence, filing a Freedom of Information Act request with the USDA. They received this most entirely redacted document with the administration claiming deliberative process privilege.

This is what they got. This is all I have gotten. I didn't even get this. One page after another, nothing.

While it seems that the privilege applies to records as predecisional, it seems clear that the Forest Service and the USDA did make a decision when they canceled the study. They made a decision when they canceled the study September 2018. The taxpayer-funded information from the nearly completed study has been denied to Congress, to the American people, despite our numerous requests.

So that begins to beg a question: What is being hidden? I want to see the parts of the study that were completed. When should I be able to reasonably expect to get this from the USDA? I think I have waited long enough. And would you say that this level of reaction to a Forest Service study is normal to have something so redacted? Can you help me?

Ms. FONG. I understand your concerns. I am not familiar with the document itself, so I don't know if the exemptions, how they were applied. And I can understand why you are concerned.

My sense is I remember you bringing this up at our hearing last year and it sounds like you engaged in direct dialogue with the Secretary and the Department. I am not sure what we can do to help at this point, but we would be happy to chat with you.

Are you involved in any of that, Gil?

Mr. HARDEN. No, we are not involved with it, but what I was going to offer is that if we can get together with your staff to maybe formulate some questions that we might be able to look at.

Ms. MCCOLLUM. That would be terrific. Thank you so much.

Mr. Chair, to my fellow committee members, thank you very much. I am going to return back to my committee to chair it. Thank you, sir.

Mr. BISHOP. Thank you.

Mr. Fortenberry.

Mr. FORTENBERRY. Ms. Fong, what should I ask you?

Ms. FONG. Well——

Mr. FORTENBERRY. I don't like when I get such questions either. They are always the hardest. But sometimes it is important to take a step back and ask a simple question. You have the hands on and the eyes on in a much more intimate way than we do. So what do you see?

I have a construct of various specific questions here and we can go to that, but I would rather you tell me what I should see.

Ms. FONG. Well, let me start by just commenting that we find it extremely valuable to have the perspectives of Members of Congress as we formulate our work and our priorities, to have insight into what you see as challenges, information that you may need to make your policy decisions. It helps us to formulate priorities and to focus our oversight.

Mr. FORTENBERRY. All right. I will take responsibility back.

Ms. FONG. No, seriously.

Mr. FORTENBERRY. Is China stealing our data?

Ms. FONG. Oh, well, okay.

We are very aware in the IG community as a whole, and the IGs get together every month——

Mr. FORTENBERRY. At USDA.

Ms. FONG [continuing]. We are very aware of the general threat by other countries, more than one, countries seeking to steal data. We are very aware that the Department of Justice is involved in these issues. There have been media reports on it. We are monitoring it. We are engaged as appropriate. And we would be happy to provide briefings whenever it is appropriate for us to do that.

Mr. FORTENBERRY. Do you need to do that in another setting or do you just not know the answer?

Ms. FONG. If there were briefings to be had, we would do it in another setting.

Mr. FORTENBERRY. Okay. Thank you.

There are some reports that our food aid was not stored in a safe and sanitary manner. Is our food aid safe?

Ms. FONG. You are referring to a recent audit that we did——

Mr. FORTENBERRY. Yes.

Ms. FONG [continuing]. On the storage by AMS of grain destined to go overseas.

We found that the grain storage was not keeping the grain safe. There were rodents and other infestations. We made some recommendations to AMS to deal with those issues for oversight. We certainly—I believe we reached management decision on those recommendations. So we will be watching AMS to make sure that they implement those recommendations.

Mr. FORTENBERRY. I would assume this is a specific incident that is not generalizable to a larger trend?

Ms. FONG. The problem that we found was that AMS' oversight, in general, lacked controls. They weren't exercising the appropriate degree of oversight, as illustrated by the situation we found in those specific grain storage places.

And, Gil, feel free to comment.

Mr. FORTENBERRY. Well, look, the United States is the most generous country in the world in this regard, and we have a very strong and well-deserved reputation for our outreach for humanitarian purposes. So, again, if you can quantify—certainly we don't want anything to spoil that reputation. People, obviously, who are the recipients of this don't need to read a news report that this might not be safe.

So that is why I am trying to quantify the extent of this simple problem, easily corrected, an incident, or, let's be honest, if it is generalizable to a larger scale issue, to quantify the size of this problem.

Mr. HARDEN. We did quantify a certain amount of loss of commodities that if AMS had looked at their processes and procedures in terms of how the bags could have been restored that they may not have lost as much for shipment to foreign countries. And that merely meant being able to use food grade tape on the bags to close up the holes as opposed to having to bring somebody in to sew the bags shut. We identified about 1.7 million pounds that could have been——

Mr. FORTENBERRY. Just put that in context of the larger quantity.

Mr. HARDEN. It is a small fraction of the——

Mr. FORTENBERRY. A very small fraction.

So this is actually a good outcome. You caught a very small fraction of a problem before it was scaled to a bigger problem. Is that a fair assessment?

Mr. HARDEN. Yes.

Mr. FORTENBERRY. Okay. And steps are under way to mitigate this issue?

Mr. HARDEN. Yes, sir.

Mr. FORTENBERRY. Okay. All right.

Thank you, Mr. Chairman.

Mr. BISHOP. Thank you very much, Mr. Fortenberry.

Ms. Fong, your annual plan indicates that you will address whistleblower reprisal complaints. Whistleblower disclosures expose waste, fraud, and abuse, and according to your website can save lives as well as billions of taxpayer dollars.

Recent events have raised alarms about whistleblower protections, especially against reprisal. Especially disturbing are reports that whistleblowers are facing increasing retaliations from within the agencies and managers are ignoring OIG-substantiated reprisal cases.

I am concerned that the current climate of attacking and making threats against whistleblowers may discourage disclosures or penalize the people who try to do the right thing.

First question. What have you noticed at USDA related to whistleblower disclosures? And do employees feel protected when they come forward? In cases where you found retaliation, do you feel USDA management is responding timely and appropriately?

And the second has to do with USDA cooperation. I understand that you are looking into several cases where USDA may have concealed data or information that should have been used in making policies, or at least they should have been shared with the public. I am thinking of Ms. McCollum, her inquiry to you. At best it could have been a rush to make decisions without a sound data-driven basis, or worse, it was an intentional attempt to hide contrary evidence.

Are you seeing this lack of reliance on facts in your audits or inspections of USDA programs and is USDA cooperating with your staff to provide all of the relevant information that is necessary to do a complete job? How can you ensure that your staff gets what they need?

Ms. FONG. Okay. Two very important topics for us as an IG office.

Whistleblower protection is critical to our ability to do our job. We take whistleblower protection very seriously, and we do work with whistleblowers across the spectrum of our activities in audits as well as in investigations.

Our policy is to treat anyone who brings information to us as a potential whistleblower. And as you can imagine, in our audits and investigations we talk to many, many people, many employees.

We are responsible and we have the whistleblower coordinator function within our office, which is the person who provides information on whistleblower protection to all employees of the Department.

Our coordinator does a tremendous job. She is certified by OSC. And over the years we issue countless directives, announcements to people telling them of the avenues available. She is available to talk with anyone. We have a number of people who reach out to her.

But let me just—you know, we could talk about whistleblowers, many different aspects of it. We are very committed to protecting them whenever we deal with them.

On the topic of data and whether we get access to what we need, like any IG office, we need access to data that the Department has. We have not had a situation where I have had to go to the Secretary and say the Department is not cooperating. We have not had that situation.

Now, we work very hard at the staff level, the management level, the policy level to make sure that Department employees understand their requirements to cooperate with us. We spend a lot of time educating and informing new officials, new program managers, about the need to cooperate and the consequences of not cooperating. And as a result, I think we have a constructive relationship within the Department at this time.

Mr. BISHOP. The concern that I have is in the operation of the various agencies and as they formulate policy, that those policies are based not necessarily on fact-driven data. And in your oversight and in your reviews of those agencies' functions do you find that there are instances of that where decisions are being made that are not fact based, which would taint the quality and the integrity of those decisions?

Ms. FONG. Do you have any comments?

Mr. HARDEN. I have some general thoughts.

One, we have not had any findings——

Mr. BISHOP. Your microphone.

Mr. HARDEN. Sorry, sir.

We have some general thoughts. We have had not had any findings or report to date where we have come to that kind of conclusion where what is being said is policy is not based on fact.

With respect to using an example of the swine slaughter inspection rule, we have questions that relate to data. And we have been working with FSIS and they gave us access to the information so we could answer the questions that were raised to us.

Some of those questions deal with transparency requirements or things made public. I am not ready to talk about those conclusions just yet because we are in the final stages of getting a draft report to the agency, having our typical exits and their responding to it.

But as soon as that is available, if there is a desire to have a deeper discussion on that, I am more than happy to do so.

Mr. BISHOP. Thank you, Mr. Harden.

Mr. Aderholt.

Mr. ADERHOLT. Thank you, Mr. Chairman.

Again, thanks for being here. It is good to see you again.

Let me turn to the Improper Payments Information Act. Although progress has been made, it is my understanding that it is now the eighth consecutive year that USDA has not complied with the improper payment requirements that are set forth by the act.

My question is, is the Department making progress in correcting these payments or are you finding the same problem year after year in these programs?

Ms. FONG. Well, and you probably noticed in our testimony, we reported that the Department made progress in fiscal year 2018 over the prior years. They have reduced the number of overpayments, the payment IP rate went down, the number of lack of compliances went down as well.

I do want to note that in the AFR for 2019, the Department reported that its IP rate actually increased, and the number of improper payments increased.

We are in the middle of looking at 2019 right now. We should have audit results in May. So what that says to us is that if the Department's reporting is accurate, that improper payments continues to be a challenge, it is not going down. It seems to be going—there is a slight upward trend.

We also see that in the SNAP improper payment rate, there is a slight upward trend in the last year, and we want to take a look at that as well.

Mr. ADERHOLT. Do you have any proposed timeline as far as that you can at least let us know when there might be full compliance?

Ms. FONG. I think perhaps the Department may be better equipped to answer that.

But, Gil, you may have some insight.

Mr. HARDEN. I mean, I will take that question back to the team and see if we can have some type of discussion. But that is something that is going to come from the Department.

You know, as Phyllis pointed out, they have made progress year over year. They are down to only having four programs that are noncompliant, and it is really only noncompliance in two areas for all four, which is much better than years past when you had a wider improper payment problem.

Mr. ADERHOLT. Okay. All right. Well, if you could take that back, that would be great.

Also in your testimony you raised the issue about security of the information technology systems at USDA. Of course, cybersecurity is something that not only USDA has to take seriously but everyone has to take seriously. And I think all of us are concerned to read that, by OMB's criteria, USDA's cybersecurity is at an ineffective level.

Do you feel the seriousness of this deficiency is appreciated?

Ms. FONG. I do believe the Department understands the importance of the issue. We have seen them really focus their attention in the last few years to addressing the recommendations we have

made. And the number of open recommendations has gone down, so there is a concerted effort to do this.

This year's review of IT security I think will be a critical one. Last year the Department reported that it had put into place a number of policies to address the issues that we were finding. This is the year where we are actually going to be looking to see if those policies are effective. So our 2019 review could provide some very interesting information.

Mr. ADERHOLT. What potential consequences would you be most concerned because of the weaknesses there now?

Ms. FONG. I think with cybersecurity, as Mr. Fortenberry mentioned, we would certainly—there is a risk that unauthorized users could hack into the Department's systems, could take advantage of the Department's information for nefarious purposes, and just starting there, and then moving on from there, proper payments.

Mr. HARDEN. Other instances of IT security that we have looked at in the recent years deals with improper use. One of the big types of incidences that was noted there was malware, where you have software that is being put into place for not so good reasons or to do harmful purposes. And bringing those types of actions also to the Department so they are concentrated and focused on making sure they are knowledgeable of what the uses are, and then also referring those to the right people so that action can be taken against the people that committed those wrongs.

Mr. ADERHOLT. If I could just ask one more quick question. I know my time is running out.

Broadband providers that are structured as partnerships are prohibited from applying for the RUS ReConnect Program even if they are long-established providers and they have qualified to receive funding from the FCC's Connect America Fund and the State broadband programs. Can you talk about why this requirement is in place?

Mr. HARDEN. I can't really talk about the requirement itself. I do know that we have been in discussions with the Department as they have been rolling out the new approach to broadband. I will take this question back as well as we start to formulate an approach as to how we will look at it.

Mr. ADERHOLT. Thank you. Appreciate it. Thanks.

Thank you, Mr. Chairman.

Mr. BISHOP. Mr. Pocan.

Mr. POCAN. Thank you, Mr. Chairman.

And thank you for being here today. Also thank you for acting on a request from Representative Fitzpatrick and myself about enforcement of the Animal Welfare Act. Looking forward to see what comes out of that.

Let me start with a question around the Market Facilitation Program. I know you are doing an audit. So a recent New York Times report said that $67 million of the President's trade assistance program went to JBS USA, a subsidiary of the massive Brazilian meat-processing firm, via product purchases. In comparison, every dairy farmer in Wisconsin cumulatively got less than $43 million in trade assistance, so significantly less than one producer.

Unfortunately, we are a State that is leading the country in farm bankruptcies. We lost 1 of every 10 dairy farmers last year alone.

We have lost 1,800 family dairy farms in the last 3 years, almost 2 a day last year alone.

There was an article recently, I believe it was in the Wisconsin State Journal, that talked about the farmers got anywhere from $2 to $850,000, and 2,600 Wisconsin recipients got less than a thousand dollars. And when you asked one of the corn growers in specific, they said that what they got per bushel of corn—and we did some similar number-crunching on this—it was about a penny per bushel, when they are losing 45 to 50 cents right now because of what is happening with the trade war currently and the situation with China.

Having said all that, it has got a huge impact in my district. I want to get to two subjects, this is one of them. I am just curious what we can expect in the OIG report. Will you be looking at how they design and implemented the market implementation program, and will you be investigating how much money went to the agribusiness conglomerates like JBS?

Ms. FONG. Let me just make a few basic comments, and then Gil will.

We are just starting our work on all of these programs. We are going to start out with the basic issue of authority for the programs, and then we are going to get into the design and implementation, eligibility, and look at the producer questions. So——

Mr. HARDEN. Yeah. And that will get into each of the three individual programs that are part of the trade mitigation packages.

We are also working with our counterparts in our data sciences shop to get access to data so that we may have some insights as to which producers got which payments. We really haven't gotten far along to design the sample of producers that we are going to look at, but that is something that we will be on the ground looking at individual producers.

Mr. POCAN. Will you look specifically at foreign producers versus dairy farmers and corn growers like mine?

Mr. HARDEN. I will say we will take that into consideration. I don't see why we can't.

Mr. POCAN. I think it would be very helpful, just because, again, when people are getting—the one quote from a farmer who has been in my district many times, if I can find it here, he basically said it is not going to make that big of a difference. They can pass a few bills, but it is not going to clear their debts.

I have had farmers who come in every single year ready to pass on to the third generation a farm, who now are going to sell their farm because they can't get by. So I think they deserve some bigger answers. If we could do that in the inspector general report, I know it would be appreciated.

Ms. FONG. Yeah, we should work with your staff because I think we are still crafting the scope and objectives of our reviews. And we know that there are a number of Members who are interested in other aspects of the program, including whether funds are going to underrepresented groups appropriately. So there are a number of interests involved.

Mr. POCAN. We would love do that. We will take you up on that. How does that sound?

Secondary, the swine slaughter modernization rule, Representative DeLauro and I, I know, had put in the request. We appreciate your taking a look at that.

There was a pretty damning "60 Minutes" report recently on this, and even my 90-year-old mother, who often tells me how much she loves Rachel Maddow at night, saw this report and is afraid to eat pork. And I have had other people tell me that, based on what is in here.

And they quoted the one scientist who was asked about the speed rules, and they asked her about the modernization process issues. I don't see modernization, I just see straight-up deregulation in an industry that you want regulated. And then it said they are doing almost 20 animals per minute, there is no limit, the person responded, and they are supposed to be inspecting on this line. She said, right. And it goes into talking about how the number of inspectors were also reduced by 40 percent at the same time this is all happening.

This is clearly a situation I think that is going to cause a lot more problems than anyone ever intended, because if people are afraid to eat pork for that very reason, it is going to have other outcomes that people aren't anticipating.

So when they were supposed to give data on how they said this would make work line safer, at first they didn't give anything, then they gave some data, and the data clearly had some serious problems with what is in there.

So I guess as you look at your report there, are you concerned about, first of all, them making unsubstantiated claims? And how much work has been conducted on this audit so far?

Mr. HARDEN. On this particular inspection, we have moved through the questions that were asked. We do have findings and recommendations that we are going to make to the agency. Because we haven't delivered the report and the report is not public, I can't talk about that right now.

But there are questions that we have had with them around the topics that you talked about in terms of the data that was made available, how much they talked to OSHA or how much they talked to OSHA and the National Institute for Occupational and Safety and Health and those questions.

Mr. POCAN. What is the timeline, I guess, then?

Mr. HARDEN. The timeline, currently we should have a draft report, if all goes well, in a week or so to them.

Mr. POCAN. Okay, good.

Mr. HARDEN. Usually we try to set up an exit with any agency after we give them the draft report. And a couple weeks after that, then we make whatever changes we need to for an official draft that they will have 30 days to respond to. So best estimate, maybe early April, but there is a lot of stuff that is fluid in there. But we can keep you apprised.

Mr. POCAN. Thank you very much.

Thank you, Mr. Chairman.

Mr. BISHOP. Thank you.

At this time, without objection, with the courtesy of Mr. Moolenaar, I would like to recognize the gentlelady from California out of order, as she is able to go to another hearing that she has

imminently. And so I would like for her to be able to ask her questions, and Mr. Moolenaar has kindly allowed for her to ask her questions out of turn.

The gentlelady from California is recognized.

Ms. LEE. Thank you very much, Mr. Moolenaar.

Thank you, Mr. Chairman.

And thank you all very much for being here.

Appreciate you yielding.

Let me just ask you a couple questions with the regard to the GAO reports on the Civil Rights Office. In 2008 and 2009 the GAO and OIG issued I think it was two reports that the USDA's Civil Rights Office did not process work complaints in a timely manner and then released incomplete records on the number and types of complaints.

Then again in I believe it was 2015 and 2017, the Federal investigators found that the Office of Civil Rights had seriously mismanaged and had compromised the civil rights of USDA employees.

I am also aware that Naomi Earp, USDA's recently resigned deputy assistant secretary for civil rights, was only in the job for a little more than a year.

And what is more, there is data clearly showing that—now, this is really interesting and shocking really—that out of the more than 300 civil rights complaints filed by employees in 2019, the Department only determined wrongdoing in two cases. Clarify that for me, if that is inaccurate.

Finally, the fact that in the budget request there is a cut to the Office of Civil Rights by $3.5 billion from fiscal year 2020, that is very concerning if, in fact, we care about civil rights. I can't imagine this huge cut taking place.

And then secondly, I am aware that SNAP fraud is relatively low, and I just wonder if you could tell us on average how much time and taxpayer money is spent investigating these alleged fraud cases and why.

Thank you again.

Ms. FONG. Let me just make a couple of comments, and then I think Pete may have some.

In terms of civil rights oversight, we have a long history, GAO and our office, of doing work to oversee the complaint process, both by program participants as well as USDA employees. We are currently engaged in an audit of how effectively that office is handling complaints from people who participate in USDA programs.

We also plan an audit in the next year or so—within this year—to look at employee complaint processing, how complaints filed by USDA employees are being handled by that office.

So I think we will take into account what you have brought to our attention as we formulate our objectives on that, and we should have more to brief you on.

Mr. HARDEN. And briefly, the work on program complaints that is underway right now looks at some of those very questions that you are asking: How fast did they process complaints? Was that reasonable? Did they have support for the decisions they made? Are their IT systems where they need to be in order to support the decisions that are made? We will look at similar type of docu-

mentation and support for decisions when we look at the employee side.

Ms. LEE. Okay. I am glad you are looking at them. But these complaints are real. And out of 300 complaints, only 2 were found or determined that there was wrongdoing? That is accurate or not? Or you are still investigating this?

Well, could you get back to us on that, please? Because this is——

Ms. FONG. We will see what we can find out on that.

Ms. LEE. Yeah, yeah, appreciate that. Because this is real, these are real lives, and civil rights is extremely important. And if there are that many civil rights complaints and only two were found—determined wrongdoing—then something structurally within your—within USDA is wrong. I can't imagine this taking place.

So thank you very much.

And on the SNAP investigations as it relates to fraud and how much money you are spending on that? Because we know and it is a fact that SNAP fraud is relatively low.

Mr. PARADIS. Yes, ma'am. Approximately 43 percent of our time in fiscal year 2019 for our investigative resources was allocated to the investigation of SNAP fraud.

It is difficult to put a monetary assignment on that percentage of time based upon the fact that each investigation on its face is comprised of different facets. Some occur quicker, some conclude over a much longer period of time.

Ms. LEE. Is it fraud versus error that you have found? Because 43 percent is quite a bit of time.

Mr. PARADIS. That is a number attributed to the investigative effort associated with SNAP fraud.

Ms. FONG. Let me just add something here. In terms of where we spend our investigative resources for SNAP fraud, we tend to focus on retailers. Where we receive an allegation that a retailer, like a store, is engaged in trafficking, we will investigate those allegations.

Our focus is not primarily on beneficiaries. If there are any concerns about beneficiary recipient fraud, usually State law enforcement will handle those kinds of cases.

So to the extent that we are spending 43, 44 percent of our resources on fraud, it is really to go after the stores who are trafficking and taking away benefits from recipients who really should be able to use those benefits to feed their families. We want to go after people who are taking those benefits and using them for illegal purposes.

Ms. LEE. Thank you very much.

Thank you, Mr. Chairman. Thank you.

Mr. BISHOP. Mr. Moolenaar.

Mr. MOOLENAAR. Thank you, Mr. Chairman.

Nice to see you again, and thanks for being here today.

In your testimony, Ms. Fong, you talked about OIG audit work identified more than $2.2 billion in questioned costs and funds that could be put to better use. And I remember last year talking with you about if the OIG had enforcement mechanisms, and you said it is persuasion, is really the enforcement mechanism.

One of the questions I have is, the top three agencies that you found that contributed the majority to that figure and how is the work at persuasion going with those areas?

Ms. FONG. Well, I think Gil has a lot to say on that, but let me just remark that this past year the $2.2 billion in audit results was a very unusual year for us. Usually we don't report that volume of dollars. And most of it is attributed to the audit we did of the EQIP program in NRCS. And we had to exercise quite a bit of persuasion to reach management decision on those recommendations.

Mr. HARDEN. Quite a bit of persuasion on how we presented the information in the report as well, so that it was well received.

The biggest portion last year, as Phyllis said, and it is kind of an anomaly, was the EQIP payment schedules review that we did. And why we took issue with so much money in that particular program for the scope years that we looked at is NRCS had put in place controls that, if they had used them, would allow them to look at the payment schedules and look and see if they are reasonable and reliable.

They had not applied those controls to the 3 years, I think it was, that we have looked at, which is why we came to the conclusion we did.

One of the things that we did want to point out, and it is very important to point out for NRCS', I think for anybody's point of view, we did not question the conservation practices themselves. We were not on the ground. We were just basically looking at how you were administering the payment schedules for the program.

In most years there will be dollar amounts in various agencies. We recently issued a report on multi-family housing that had some concerns in terms of how that money was going out the door. We have had concerns with grants at NIFA. So it kind of covers the cross-section depending on what we look at.

Mr. MOOLENAAR. I guess I also want to follow up in terms of the communication process with the agencies as well as Congress. I was kind of interested, you had done some work looking at disaster relief funding with respect to Puerto Rico, and it seems that you identified a number of areas that could be improved. You said: "FNS generally agreed with most of our recommendations, but further action for the agency is needed to reach agreement on the remaining recommendation."

So in Congress we recently, in the House, passed some legislation on Puerto Rico. Do you feel that that was incorporated into that legislation, or do we still have work to do between kind of what we are doing here in Congress, what the administration is doing to implement some of your findings?

Because I know this is real-time communication that really is needed, and I am just concerned that you put out something and we are doing something over here, and I don't know how much communication goes on.

Do you have any thoughts on that?

Ms. FONG. Actually, I think that is a really good example of a lot of successful dialogue, I believe. And we are not privy to all the conversations. But as you mentioned, we issued a report on the delivery of assistance in Puerto Rico, and we found a number of issues, and that was for the first tranche of assistance.

In the meantime, Congress appropriated a second grant, which we are in the process of reviewing at this point. A report will come out very shortly. And I think what we will see is that there has been a continuum of effort in this area on the part of the Department and potentially Congress as well. And we are aware that there is a third potential appropriation. And I think it tells a good story overall.

And the basic question being, what is the most effective way to deliver nutrition assistance to Puerto Rico? I think that is a very difficult issue. The Department is wrestling with it, and I think they are making progress. That is not to say that there aren't other views that you all might have.

Mr. MOOLENAAR. Okay. Well, thank you. Thank you for the feedback on that.

Thank you, Mr. Chairman.

Mr. BISHOP. At this time I would like to recognize the gentlelady from Connecticut, the former ranking, chair of this subcommittee, Ms. DeLauro.

Ms. DELAURO. Thanks so much, Mr. Chairman.

And welcome to all.

Ms. Fong, it is great to see you again.

I am concerned about the continued and substantial payments to U.S. subsidiaries of the corrupt Brazilian-owned and controlled meat packer JBS.

Trade package, JBS has received a little over $100 million in payments. That money, I might add, was supposed to have been for struggling farmers, ranchers, who have been hurt by the administration's failed trade policies.

Unlike farmers and ranchers, JBS also receives payments on an annual basis, and that is through USDA's Agricultural Marketing Service. In fact, U.S. taxpayers have subsidized JBS to the tune of tens of millions of dollars over the past several years. It is a problem, because according to the Federal Acquisition Regulation and related USDA policy, government contractors must have, and I quote, "present responsibility." I am not going to go through the explanation of that, it is too detailed, but you know it. And accordingly the present responsibility can be impacted by fraud, bribery, other violations of Federal laws.

JBS is currently under an investigation by the Department of Justice for potential violation of the Foreign Corrupt Practices Act. This is because the Batista brothers, the leading shareholders, have admitted to criminal acts, numerous criminal acts, consisting of the bribery of thousands of Brazilian government officials to obtain illicit loans from Brazil's national bank. The ill-gotten loans were then used by JBS to illegally enter and consolidate the meat packing industry in the United States.

You talk to cattle producers, you find out what they think about JBS. You are not going to get a favorable answer.

November of last year, I wrote to Secretary Perdue urging him to open up a suspension and debarment investigation into JBS to determine whether the company meets the legal requirement of present responsibility. Just very, very recently received a reply from the Secretary stating that he refuses to open such an investigation.

And, Mr. Chairman, I would like to submit both my letter and his reply into the record.

So no action. So I make an assumption that the Secretary condones the use of taxpayer dollars in order to subsidize a corrupt foreign-owned corporation engaged in illegal activity.

So, Ms. Fong, I don't know what kinds of conversations that you have had with the Secretary on this issue, the criminal allegations, do you take them seriously by this Department. And I have two other questions, so I would like a quick answer.

How seriously are you taking these allegations?

Ms. FONG. We are aware of these allegations as reported by you and the media, and we are doing what we believe to be appropriate at this time.

Ms. DELAURO. What are you doing?

Ms. FONG. I think it would be useful if our staff talked with your staff.

Ms. DELAURO. Happy to do it. Please do. And we have been talking to your staff over and over and over again.

Let me just say that the Secretary said USDA suspension and debarment investigation into JBS would, quote, "conflict with investigations by DOJ and SEC." Is that the case?

Ms. FONG. I can't comment on their position.

Ms. DELAURO. I am not asking you that, but is it a conflict?

Ms. FONG. I don't know what the basis for his response is.

Ms. DELAURO. Fine. Because you, by the Inspector General Act of 1978, amended in 2008, you have independent authority and responsibility to ensure that taxpayers' dollars do not continue to flow to a company that is engaged in criminal behavior. Are you going to conduct an investigation?

Ms. FONG. We are also required by the IG Act to appropriately coordinate with the Department of Justice.

Ms. DELAURO. Are you, with your independent authority, going to conduct an investigation?

Ms. FONG. I can't comment on that.

Ms. DELAURO. No comment. That means we don't know whether or not your authority is being challenged in any way.

It is. You are independent. That is what makes the IG so critically important to all of us up here.

I will make one final comment to you, because in your testimony you talk about worker safety and pride yourselves on dealing with worker safety. JBS, its subsidiaries, have engaged in a litany of practices leading to violations of labor, environmental, food safety laws.

Investigation by The Washington Post, 2015 to 2018, JBS had the highest rate of serious worker injuries, those involving amputation, hospitalization, among all meat companies in the United States, and the second highest rate of serious injuries among all companies in the United States. A subsidiary that is getting over a hundred million dollars.

Investigate. Use your authority.

Thank you, Mr. Chairman.

Mr. BISHOP. I thank the gentlelady.

I failed to make a comment to our witnesses as well as the members. If you could, since our hearing is being watched by the public

across the country, if you could refrain from using acronyms so that people who are not necessarily familiar with those acronyms will know exactly which agencies you are referring to.

At this time I would like to recognize Mr. Cuellar from Texas.

Mr. CUELLAR. Mr. Chairman, thank you so much.

Good morning to you all.

Looking at your management challenges on performance measures, we have added language in the appropriations asking the Department, both USDA and FDA, to comply with Title 31 of the United States Code, which means including their development of performance measures. That is, set their priority goals, their outcomes, and making sure that they have the performance outcome measures, output measures, efficiency measures, customer service measures. And this is the law, Title 31.

I see your report saying that they need to do that. Can you tell us where they are and why they are taking a little bit of time to do what they are supposed to be doing under the law?

Mr. HARDEN. I don't know that I can specifically talk about why they are not doing it in response to the language in the appropriations bill. It is something that I would want to go back and look at.

As we develop the management challenges each year, it is one of those things where as we are doing work and looking at how agencies measure their performance, we have run into questions about how they are doing that. So it does have us look at how they do those individually complying with the requirements.

We would need to go back and talk to them or maybe even do some additional work to see where they are in terms of getting more on par with what the requirements are overall.

Mr. CUELLAR. Well, if you look at the 50 States, I think most of the 50 States have been doing this since the 1990s, and the Federal Government is still behind, and I don't know why it is so hard to measure.

If somebody spends a hundred dollars, don't we want to know how those hundred dollars have an impact on it? I mean, we just want to know what is the bang for the $100 that we are spending.

What do we need to do to get you all to help us—and appreciate all the work that you are all doing—to get them to do not only the appropriation instructions, but basically Title 31 of the United States Code? I mean, they are supposed to be doing all this.

Ms. FONG. And you are absolutely right. This is just good basic performance management. And the Federal Government has had these requirements for a number of years.

I can't bring up any particular examples right now, but in many of our reviews when we look at how the Department is delivering programs, one of the first things we look at is their strategic plan and their performance measures to see are they really accomplishing what they set out to accomplish as they define it.

It is not easy to come up with some of these measures, output versus outcome, and we know everybody is struggling with that. And what that management challenge is designed to do, as we have worked in the Department, we have seen different examples where different agencies may need to have a better focus on those issues.

I think we can provide you some additional information on examples of where we found work, whether it is good work or bad work, to give you a sense of that.

Mr. CUELLAR. Again, the same thing about how do we measure this. I mean, again, I go back to the States, whether it is Florida, Texas, name the State, they have gone through this, and they have gone through the how do you measure output, how do you measure activity—and sometimes people just measure activity—but how do you measure outcomes.

I mean, after so many years—and some of this got sort of the 1990s under the Clinton administration, and then back in 2010 we passed legislation to modernize the performance measures, but we still get the agencies to do what they are supposed to be doing.

And it is not that hard. I mean, the States have done it. The States are the living laboratories that we have out there. I mean, I can probably pick any of the members here, those States have done it for many years.

But the Federal Government still can't tell us, if they spend a dollar, they cannot tell us how they spent that dollar, how efficient or effective. Besides what Chairwoman DeLauro was talking about on some particular issues, but if you have measures it is a simple budgeting process.

But I would love to—I know my time is up—but I would love to sit down with you all, if you want to send somebody to the office with our committee, love to sit down and get some of the thoughts and see how we can put a little teeth on Title 31. Thank you.

Thank you, Mr. Chairman.

Mr. BISHOP. Thank you, Mr. Cuellar.

Ms. Fong, since 2018, the administration has used funding and the authority of the Commodity Credit Corporation to make available about $25 billion for payments to farmers through the Market Facilitation Program. How does OIG plan to review payments that are made under the MFP program? And do you plan to review data or other information that was used in calculating the eligible commodity payment rates to the recipients?

Of course, that had a great deal to do with the trade wars that were impacting our farmers tremendously, which has resulted in a gigantic number of bankruptcies in farm country, particularly in Wisconsin and Georgia, my home State.

So can I get you to comment on that, please, ma'am?

Ms. FONG. Let me just offer a few comments, and I know Gil has a lot more detail.

We are working right now on looking at the Market Facilitation Program and the Department's authorities there. We have work going on. And then we are going to branch out into the eligibility issues.

Let me turn it over.

Mr. HARDEN. Back in 2019 fiscal year, we recognized when these programs came out that MFP was the biggest one that was coming out, and it was something that we would probably want to take a look at. So we planned work at that point in time to start looking at the MFP program.

After we started that work, we heard questions and received questions about the trade aid package in total, and the authority

USDA had for using the CCC funding was a central part of that question.

So I had the team that was looking at MFP to stop and take a look at the authority questions for all three of the programs that are being done under trade aid.

Mr. FORTENBERRY. Mr. Chairman? Mr. Chairman?

Mr. HARDEN. We should be reporting out on that shortly, hopefully later this year, and then we will be looking in detail at the other programs.

Mr. BISHOP. Mr. Fortenberry, I yield to you.

Mr. FORTENBERRY. I just would like to admonish you to watch the acronym speak.

Mr. HARDEN. I am sorry.

Mr. FORTENBERRY. It is very difficult. We know what you are talking about, but it is very difficult to follow when you are using that too rapidly and not defining what they mean. So just say the whole programmatic area.

Mr. HARDEN. Okay.

Mr. FORTENBERRY. Thank you.

Mr. HARDEN. So we do have planned work for the Market Facilitation Program, the Ag Trade Promotion Program done by the Foreign Ag Service, as well as the Food Purchase and Distribution Program done by the Ag Marketing Service.

Mr. BISHOP. Thank you.

According to the 2019 semi-annual reports, complaints coming through the OIG Hotline on participant fraud increased over 40 percent between 2018 and 2019, from about 11,400 to 16,100.

Do you have details on what programs are involved, what are the reasons for the big increase in the number of complaints, and how USDA is responding to the trend?

Ms. FONG. Yes. We have been watching and obviously managing the hotline operation. The hotline for USDA is housed within our office, it is the OIG Hotline. And over the last few years we have noticed an incredible increase in the number of incoming complaints or contacts.

And as we have been analyzing them—and you will notice in our semi-annual reports—I would say about 95 percent of them relate to questions about the Supplemental Nutrition Assistance Program, or SNAP.

Many times they are contacts made by people who are concerned about their benefits being affected in some way. They will have questions. They want to know how to apply. They really are not complaints that are directed to us for OIG investigation per se. They are really looking for information.

So as we have noticed this trend over the last few years, we are trying to figure out how to make sure that the people who contact us with these kinds of program questions are getting what they need. In the meantime, that we handle our workload in an appropriately responsible way. It is a management challenge for us.

I don't know if, Pete, would you like to add any comments?

Mr. BISHOP. Does some of that also have to do with a lack of information and outreach on the part of the Department in terms of making clear what the eligibility for these programs are? And if that were done appropriately by the Department, would that lessen

the need for these people to make these calls that you are talking about, about eligibility?

Ms. FONG. Well, I think we don't know that. We attribute the increase to some action in one of the appropriations bills a number of years ago which directed FNS to suggest to the States that on the EBT cards, the Electronic Benefit Transfer cards—I am not sure if that is right—that the OIG Hotline number be included if people have issues to bring to our attention.

And so we think people are looking at their cards. If they have a question or a problem or a concern, they are dialing us up. And my guess is that this may be an area where we can work together with the Food and Nutrition Service and with you all to see how we can best address those issues and concerns.

Mr. BISHOP. Thank you very much.

At this time I am delighted to recognize Mr. Harris.

Mr. HARRIS. Thank you very much. And thank you very much, Mr. Chairman.

Just to follow up a little bit on the SNAP program, the budget, around $60 billion I guess, 57, 60, something like that, what is the estimate of the OIG of the amount of fraud in the program that is exchanging benefits for currency, things like this? Because I suspect that that goes on. What is the estimate of the extent of that? I mean, in your testimony you talk about one, but it is a drop in the bucket, I would imagine.

Ms. FONG. Yeah. Just in general, we have not tried to put a number on the amount of fraud in the program because we are not sure of how we would go about estimating that in an appropriate way that is based on evidence.

We do, as you know, report every year on our investigative activity, which finds that retailers do trafficking and many times we will get large judgments on that. So we have got the fraud issue there where we can give a number based on convictions and sentences.

We also know that there are improper payments in the program which are not necessarily fraudulent. They could be overpayments, underpayments, administrative error kinds of payments.

And as we were just talking about earlier today, the Department itself reported an improper payment rate for the Supplemental Nutrition Assistance Program of about 6.8 percent for 2019. So 6.8 percent of the appropriation, that would give you an idea of the numbers of erroneous payments being made.

Mr. HARRIS. But I am particularly talking about exchanging benefits. Do any of the States look, has any State looked at it? Has anyone made an attempt to see when it is done?

Because, look, we all want to direct it where it is necessary, but we all know that exchanging benefits occurs, and it is not that hard to do.

Has anyone tried to figure out the extent of it, and then how we can get around it? I mean, has anybody thought, for instance, biometric proof or something, when you go to spend your benefit that it is you, it is not somebody else, it is not someone you sold it to, things like that?

Ms. COFFEY. So FNS has looked at a number of options. I think there have been suggestions about pictures placed on the cards, things of that nature.

The one thing I would note is that if an individual is really determined to traffic their benefits, whether the picture is there, whether it is the biometric or not, they are going to be able to do it. So I don't know that that would necessarily be sort of the best answer.

In terms of looking at an overall fraud rate, as the Inspector General mentioned, we, overall, have our criminal investigations, but there is a portion of fraud that occurs which do not rise to the level of criminal activity.

FNS has the ability to take administrative action to disqualify retailers from the program if they determine that there is fraud present there, and we would not necessarily have the ability to track that particular number. That is not something historically that we have looked at. We really focus on the criminal matters and the criminal investigations within SNAP.

Mr. HARRIS. But to exchange benefits, is that a criminal offense, for the recipient of SNAP funds to exchange benefits?

Ms. COFFEY. It is a criminal offense. However, it depends on the dollar amounts. And certain locations and jurisdictions we would not be able to bring a case for prosecution in those instances if it doesn't reach a certain dollar amount or threshold for the prosecutor's office.

So we always do try to see that, if there is a way to get the bad actors out, we will share our information with FNS so that they can move forward to take administrative action to remove those folks from the program.

Mr. HARRIS. Okay. But bottom line, we have no estimate on exchanging benefits, what the extent of that is? It is all anecdotal, that it occurs?

Ms. COFFEY. Not in totality, we don't.

Mr. HARRIS. That is what I thought. Okay.

Thank you very much, Mr. Chairman. Thank you.

Mr. BISHOP. Thank you, Mr. Harris.

Ms. DeLauro.

Ms. DELAURO. The OIG's swine slaughter audit would be available in April. I just want to remind you that the plants may be committing to this new system by March 20. So I would like to more than suggest we need to have that information before this rule, this goes into action without the benefit of the audit. So we would like to have that data before March 20. Thank you.

Page 8 of your testimony, Inspector General, you speak in detail about your office oversight of the nutrition assistance that the subcommittee appropriated for Puerto Rico. That is following the devastation of Hurricanes Irma and Maria. Along with looking at USDA's Food and Nutrition Service's actions, you also calculated overpayments, underpayments, and made recommendations to the agency on how to improve.

However, I am shocked by the delay, because there will be a new tranche of funding, and these payments are going to be made in trade aid, and we should know something about this package.

You did not mention any oversight of the Department's $28 billion in your testimony, the trade aid package. That bailout is more

than 20 times more than the $1.27 billion in basic food assistance that we appropriated to Puerto Rico, yet it has received far less scrutiny. Why is that?

I also want to say this. I guess Mr. Paradis said that 43 percent of your time in 2019 was investigating the SNAP program. Why isn't there a comparable percentage of looking into a program which universally has been said is not directed, is not going to the struggling farmers and ranchers out there? And I said earlier, over $100 million is going to a foreign subsidiary that is being dealt with in terms of the Foreign Corrupt Practices Act and who has the most injuries of people that they employ.

I think that we are a little out of whack in where we are focusing our attention in the Inspector General's Office. Has your office taken any active role in overseeing the three components of the trade aid package? Have you estimated overpayments, improper payments, or underpayments? Do we have any idea as to what the level of waste, fraud, and abuse is? And when is this audit going to be finished?

Ms. FONG. We are definitely looking at the trade promotion packages, the Market Facilitation Program. We are very aware of the large dollars there. It is a priority for our office. We have ongoing work, as Gil has testified, the first piece of our work should be coming out in the next several months, and then we are designing the scope for our second and third pieces of work. So we have in the pipeline several audit reviews that will be coming out.

Ms. DELAURO. But your delay in dealing with this means that this program is going to continue to move in the direction that it has been moving. And we have no information about waste, fraud, abuse, under, overpayments. We don't have any investigation of over $100 million that is going to this corporation. And yet we spent a heck of a lot of time dealing with $1.27 billion to food assistance aid to Puerto Rico and you spent 43 percent of your time in 2019 looking at the food stamp program.

Do you think there is need to rebalance your efforts? And when is this audit coming forward? Not in the next several months before a new package of dollars goes out and they can employ the same waste, fraud, and abuse which is ongoing right now in this program and you are not doing anything about it. How quickly can we get an audit?

Ms. FONG. Well, as we have testified, the first piece of our audit in this area, the first audit results, will be coming out in the next few months.

Ms. DELAURO. When did the program go into effect?

Mr. HARDEN. The program went into effect, I think, in 2018, and as part of our 2019 plan after it had come out, we made revisions to our plan so we made sure that we were looking at the Market Facilitation Program.

After we started looking at the Market Facilitation Program there were multiple questions that we received on the authority of the Department to do this program, which is why it is important for us to report out on the authorities that is being done.

Ms. DELAURO. Let me just say this. You have had 2018, all of 2019, we are looking at 2020 and the next several months when you all can't investigate waste, fraud in a $28 billion program, but,

boy, did you go after 43 percent of your time on the SNAP program and much of your time on $1.27 billion in basic food aid to Puerto Rico. I rest my case.

Thank you, Mr. Chairman.

Mr. BISHOP. Mr. Fortenberry.

Mr. FORTENBERRY. Thank you, Mr. Chairman.

I do think it is important that we follow through on looking at the Market Facilitation Program to ensure that it was implemented with integrity.

It is important to note that it seems to be purposeful that the amount of time that you are spending auditing SNAP program aligns with the percent of it as a budget, as a whole.

So let me go back to the Environmental Quality Incentive Program that you talked about earlier. There is a question about $2.1 billion in payments. This is an important program for farmers and ranchers, a very popular program. You talked about how the Natural Resources Conservation Service didn't basically have the right component prices or an outdated set of baselines that were not reliable, credible, or cost-effective. I didn't hear whether or not you said have they fixed this process.

Mr. HARDEN. Yes. As we discussed the problems with the Natural Resources Conservation Service they agreed with our recommendations and have taken actions—or at least they have told us of the actions they plan to take—to correct the issues that we identified. So they are moving to correct these issues.

Mr. FORTENBERRY. Okay. So that is some good news, right?

Mr. HARDEN. Yes.

Mr. FORTENBERRY. Okay. To the larger question, when we are talking about fraud or improper payments, how well do we recapture funds?

Mr. HARDEN. In terms of the monetary recommendations that we have put forth before that have actually said collect the money back, I would have to go back and get some statistics from the Office of the Chief Financial Officer, which would be the entity that tracks that on final action of the implementation of the recommendations, but I can definitely get back to you on that.

Mr. FORTENBERRY. Give me some broad estimate.

Mr. HARDEN. Sir, I would be making a complete guess and I would prefer not to.

Mr. FORTENBERRY. But you have some idea, more than I do, because I have asked the question, as to how effective this is. Obviously you are trying to get programmatic changes to stop behaviors that are inconsistent with programmatic integrity, but a part of that is recouping money lost.

Mr. HARDEN. And to my knowledge, when agencies agree with us that they are going to recapture, recoup the money, they have a plan in place for doing that. I have not seen many requests come from agencies or from the chief financial officer's office, which would be the case if it did, to change that. So my presumption is they are going about recouping the money.

Some of the recommendations date back a number of years, as the chairman pointed out in his opening statement, going back to the mid-1990s. We have had recent discussions with the Foreign

Service Agency about where are we on how we are collecting some of those moneys that were questioned for.

Mr. FORTENBERRY. Look, I am sure you are overwhelmed with work; however, I think this is a pretty important component. Yes, it is about changing patterns of behavior to ensure program integrity, but it is also about restitution. And I think moving forward, including that as a part of your findings would be an appropriate shift, if you will, of how you report back to us, because ultimately I think that is concrete, measurable action that your good recommendations have been implemented.

Ms. FONG. Let me just offer a comment. You know, we talk about our dollar results being $2.2 billion. In the EQIP audit, for example, our recommendations may not always be, "Agency, you need to go back and retrieve the money because it was an improper payment." It may be that, "Agency, because you didn't use the right pricing, you paid more or less than you should have."

Mr. FORTENBERRY. I understand that. So you probably need—

Ms. FONG. So there may not be a recoupment of cost.

Mr. FORTENBERRY. But you probably then need to have two separate numbers, one in which programmatic adjustments that you made resulted in taxpayer savings of this amount, restitution, because of some fraud or action of the Department, is this amount. I think that would be beneficial to us and to you. I mean, what is your total budget?

Ms. FONG. Oh, right now it is you 98 million.

Mr. FORTENBERRY. And you want 100—I forgot the number you said

Ms. FONG. 100.3.

Mr. FORTENBERRY. That proves that your work is of good value, if you can quantify the outcomes in the way I just said.

Ms. FONG. Okay.

Mr. FORTENBERRY. Which is without question, please understand, it is without question that your work is of good value. But when you have a quantifiable like that, I think it is a simple way to say, "Our work results in this." Okay?

Which agencies succeed the best? Which agencies need help and funding?

Ms. FONG. As I have been looking at the work we have done over the past year, many of our reports will point out that the agency in question did a good job on certain aspects of their program, but other aspects they really need to tighten up controls. And I think a nuanced answer to your question is that there are some success stories across USDA. I wouldn't lump any one or two agencies in a category of——

Mr. FORTENBERRY. Well, they all have different missions. It is a hard question, I get that. But there have got to be outstanding examples of programmatic integrity, implementation process, outcome verifications that you can point to and say these are excellent.

Ms. FONG. Well, I will say from a very high level, I think financial management at the Department is getting better. This past year we saw the National Resources Conservation Service obtain a clean opinion on its financial statements for the first time ever. It took 5 to 7 years of concentrated effort to get there. So that is defi-

nitely a success story for the National Resources Conservation Service.

On the other hand, that agency was the one where we had this audit we have been talking about, the Environmental Quality Incentive Program, EQIP, as it is known, where we found issues to the tune of about $2 billion.

So there is great success and also great opportunity, and that is a concrete example. I think Gil may have some others.

Mr. FORTENBERRY. I think my time is up. I am sorry.

But thank you, Mr. Chairman, for your indulgence.

Mr. BISHOP. Mr. Cuellar.

Mr. CUELLAR. Yes, sir. Just a quick question.

The GAO December 2018 had a report on food insecurity: Better information could help eligible college students access Federal food assistance benefits if basically they could be—they were either not aware of or just didn't know about their potential eligibility for SNAP.

Any thoughts on that? And we can follow up later on this. Just, basically, how do we inform students at colleges, "You are eligible"?

Mr. HARDEN. We haven't done any specific work ourselves, so we are happy to engage in conversations if there are specific questions. I mean, we have a very good working relationship, I want to highlight, with GAO to where we are not looking at the same things at the same time so that we spread the oversight effort, if you will.

I have seen that report, but I am not familiar with the details. But if there are specific questions, we can talk about them.

Mr. CUELLAR. Okay. Yeah, we will follow up. I think we are going to follow up on performance measures and on that. So appreciate it if we can follow up on this.

Thank you, Mr. Chairman.

Mr. BISHOP. Thank you, Mr. Cuellar.

Ms. Fong, the Healthy, Hunger-Free Kids Act of 2010 mandated the nationwide implementation of electronic benefits transfer for WIC by October 1, 2020. The WIC program is administered by 90 State agencies, including territories or travel organizations.

You released a report at the end of December 2019 that identified 25 State agencies that may not be able to meet this deadline. You mentioned that this may occur because these State agencies have and are experiencing various challenges and setbacks.

Can you discuss the findings and recommendations of your report and specifically the reasons why some States face more challenges than others and tell us how the territories or the tribal organizations are progressing and whether they face different challenges than the States do?

Mr. HARDEN. In response to the last question first, I don't know that I have detail on whether tribal organizations were different than States.

Mr. BISHOP. And the territories.

Mr. HARDEN. And the territories. But I will go back and look at the audit report and talk to the team if there were specifics.

In terms of what we reported in the report in terms of the State agency problems and setbacks or challenges and setbacks, some States had difficulties and delays in obtaining contractors to help them put in place their electronic benefit transfer systems or any

other management information systems associated with the mandated timeframe.

We also saw that State procurement departments did not always see this as a high priority for the States in terms of the procurements that needed to be done because this was a State responsibility to put this in place. And also for some of the smaller State agencies they had limited staff and resources to get things done.

Now, as we brought this issue forward during field work we did talk to FNS, and FNS put different things in place to work with the States to give them better plans to help them along the way.

And in response to our recommendation to develop and implement a plan to assist the States, FNS was very timely, in my thinking, in the actions that they were taking to work with the States and put a technical assistance plan in place, develop correspondence between regional administrators and State commissioners, develop different technical questions and answers to sell best practices for other States to use, and to have ongoing dialogue, teleconferences, with the different people at the Federal, State, and local level on what needed to happen.

They planned to put all that in place by the end of January.

Mr. BISHOP. Thank you.

Last August you issued an inspection report on USDA's proposal to reorganize and relocate the Economic Research Service and the National Institute of Food and Agriculture. The report included five recommendations, four of which you accepted the management decisions. The recommendation on which you and USDA disagreed has to do with obtaining congressional approval prior to using funds for the proposal.

Can you give us the latest status update of this inspection report and what is the resolution of that open recommendation?

Mr. HARDEN. We have reached management decision on that recommendation. It was reached on October 15 of last year.

In response to their response in the report, we pointed out where we thought there was inconsistency in how the Department was applying the provision at that time and then prior. So where they were telling us that something was unconstitutional now, they were using in different discussions earlier where they did use—that they did need the authority.

So our basic response to them, being as the response was coming from their general counsel, was that, please, clarify for us and clarify for the departmental officials at USDA if this has been a change in policy so that everybody is on the same page in terms of how we are going to implement this.

What they provided to us was that they didn't feel like they needed to do additional communication because of training that they had already put in place that reflected their view on these requirements to affected people that deal with budget and procurement and general counsel's office and the chief financial officer's office as well.

And they also pointed out that the people that attended these trainings or had this training would be the people that would be advising agency leadership on what the responsibilities were.

So they gave us an answer to our question, which is how we reached agreement.

Mr. BISHOP. We will perhaps follow up on that.

Mr. Fortenberry.

Mr. FORTENBERRY. Thank you again, Mr. Chairman. Before we concluded, I appreciate your willingness to call this important hearing.

And again, thank you all for your work.

I do think it is important we drill down on problems. But we were talking about good examples of people who have either improved or who are maximizing their effectiveness with program integrity.

You wanted to make a few comments, Mr. Harden, in that regard? Ms. Fong said you did.

Mr. HARDEN. It is true that most of what we look at discloses weaknesses and different problems. We do try to point out positive things, as the Inspector General pointed out.

In terms of specific examples, and maybe I can talk with your staff about the detail of the report, but we did see, I would say, having agencies focus on program administration and internal control is something that needs to be sitting at the table as I have had discussions with agency leadership in terms of program delivery as well. And program delivery is important, but also think about how we are controlling the operations and are we getting what we are supposed to be getting.

One example of that is a review that we finished last year in crop insurance related to the Annual Forage Insurance Plan, as well as follow up on the Pasture, Rangeland, and Forage Insurance Plan that we had looked at in years prior.

These are both 508(h) products from the Federal Crop Insurance Act, which we are currently looking at the process associated with that because of things we saw with these two insurance plans.

One of the things that I feel the agencies could have done better with regard to this is that we had pointed out things with the Pasture, Rangeland, and Forage Plan a couple years ago that translated into improvements that could have been made to the Annual Forage Plan had the agency taken those ideas and applied them across the board.

Some of those specifics dealt with the county-based values of the land involved in what is being insured. Here in the Annual Forage Plan, like we found in the Pasture, Rangeland, and Forage product, they were treating irrigated and nonirrigated land the same, and all of us know that irrigated land will be highly more productive, most likely, than nonirrigated land.

The other factor that we pointed out with Pasture, Range, and Forage that could apply to Annual Forage was thinking about the soil's productivity in terms of what actual crop they were going to be growing on the land.

So that is an example of something where if the agency could have taken information that we had already said and implemented corrective actions on another program.

Mr. FORTENBERRY. Okay. I was kind of looking for a good example. But that is okay. You gave what you needed to say.

Thank you, Mr. Chairman.

Mr. BISHOP. Let me just explore one other area. Obviously this is report on USDA management challenges every year, and one of

the seven challenges in 2019 is the USDA, quote, "needs to improve outreach efforts," which has been included in the reports since 2013.

As you may know, ensuring that everyone who is eligible gets the same opportunity to receive government assistance is a major priority of mine, and the 2019 report indicates your office plans to look into outreach efforts for the Farmers Market and Local Food Promotion Program and for the Cooperative Interstate Shipment Program.

Where do you see outreach is needed the most? Where does USDA need to do more to help new beginning and historically underserved producers get access to the government services that they so richly deserve?

Ms. FONG. That challenge on improving USDA outreach to underserved populations, over the years we have done different kinds of projects to get to different aspects of that challenge. As you point out, we have looked at reaching out to underserved producers, new farmers, new ranchers.

Currently, I believe we have an audit going on the Section 2508 program—2501. You may remember a few years ago we did a series of reviews in that program which found that the Department had challenges in getting grants out in an equitable way. So we are going back now to revisit that program to see if there have been any improvements.

We also, as you know, we have talked this morning about two reviews we are doing vis—vis the Office of the Assistant Secretary for Civil Rights and how that office manages its workload on complaints from program participants as well as employees. So we have got that going on.

We have also recently issued a couple of reports dealing with tribal organizations and the Department's provision of food assistance, which I think was a very helpful report, as well as the substantially underutilized tribal assistance program. I think in terms of acronyms all the time.

So we are definitely doing our best to hit all the different aspects of this challenge, and we welcome any thoughts anybody may have on that.

Mr. BISHOP. And the territories, in particular Puerto Rico and the Virgin Islands?

Ms. FONG. We have, as we have talked about this morning, looked at the nutrition assistance disaster delivery programs in Puerto Rico.

We also had initiated some work vis—vis the Virgin Islands program, and after we did some initial review and scoping decided that we really needed to put the emphasis on the Puerto Rico delivery because that was where we saw more challenge at the time. But we are definitely monitoring what is going on with the Virgin Islands.

Mr. BISHOP. Do you feel that we need to look at the structure of the delivery of the disaster and the structure of nutrition programs, period, for the territories? Because right now they are directed totally different from the States. The territories and, of course, the Virgin Islands and Pacific Islands, they are treated altogether differently, and when we have these major disasters it appears as if

they end up being delayed unnecessarily in getting the results that they need to help their people.

Do you think, can you help us with reports that would indicate what we could do to sort of equalize the response time and the delivery of services under the disaster programs for the territories, much the way that we have historically done them for the States?

Mr. HARDEN. Mr. Chairman, with respect to the Puerto Rico Nutrition Assistance Program, that is the one territory that we have looked at from that aspect, so that was where I will focus what I am going to say.

In the first round that we looked at that, we did have concerns with delays, as we reported, and the one recommendation that we are still working with FNS on is, is there a better way to approach this? What, if anything, are our other options?

While negotiating that with, as the Inspector General talked to, I think, Mr. Moolenaar, there was language that came in the appropriations bill in terms of maybe how to go about looking at that. We also got a second request to talk about the timeliness of the 600 million and how it got there, and we are very close to issuing our report on that.

But we are seeing improvements on that over time. And so we are trying to engage in discussions ourselves, with respect to the outstanding recommendation, is there a way, from all the things that we are seeing now, is there any other options that we ought to lay on the table to move it forward.

Mr. BISHOP. Well, thank you, Ms. Fong, Ms. Coffey, Mr. Harden, Mr. Paradis, for being here today. Along with what we have discussed today, we will be forwarding additional questions for the record, and we will appreciate your diligence in responding to us in a timely manner.

Again, I thank you for your testimony. We look forward to working with you as you continue the fiscal year 2021 appropriations process.

With that, the subcommittee is adjourned.

WEDNESDAY, FEBRUARY 12, 2020.

HEARING ON FCA'S FISCAL YEAR 2021 BUDGET REPORT

WITNESS

GLEN R. SMITH, CHAIRMAN AND CEO FARM CREDIT ADMINISTRATION

Mr. BISHOP. The Subcommittee will come to order.

Good morning, and welcome to today's hearing.

I am happy to welcome Glen Smith, a board chairman and CEO of the Farm Credit Administration and the FCA board member, Jeff Hall as we discuss the agency's roles, responsibilities, and the budget request for FY–2021. So, I thank you both for being here today.

Last year, we held a hearing with FCA in the system that examined the state of the rural economy and the challenges and the opportunities that our farmers, our ranchers, our producers in our rural communities' face.

Since then, there have been some positive developments, such as the signing of the phase one of the China Trade Deal, in which China has tentatively promised to buy more agricultural products from the U.S., and the passage of the U.S.-Mexico-Canada Agreement. This was good news for our producers, but the reality for many is more complicated, and 2020 still holds many uncertainties for them.

While the USDA's economic research service forecasted a rise in net farm income in 2019, due in most part to direct government payments, there are some alarming trends in the ag sector that must be examined and that we have to address. Last year, according to USDA, farm debt reached record levels at $416 billion. Farm bankruptcies are at their highest levels since 2011. Wisconsin and my home state of Georgia are at the top of that list.

These trends appear to raise significant warning signs for the year ahead, and I would like to hear from both of you on your outlook for 2020.

Looking at the budget, the request for FY–2021 is $81 million, of which 87 percent is for personnel costs. A third of the examination staff and half of the non-examination staff will be eligible for retirement within the next five years. This represents hundreds of years of institutional knowledge leaving the agency, and it mirrors the wave of retirements and vacancies that we are seeing elsewhere in USDA in the Farm Service Agency.

I am glad to see that your budget request identifies the human capital needs and the initiatives and the investments as priorities, and that the Farm Credit Administration is focusing on knowledge management.

I am also glad that you are focusing on improving services to young, beginning, and small farmers. A recent ERS report looking

at beginning farms and farmers noted that beginning farm households have less wealth and have more debt relative to their assets than established farms. Ensuring that new farmers have the resources, the support, and access to credit in order to sustain their business early on should be a priority for all of us, given that our farming population is both declining and aging.

So, I look forward to hearing more about the Farm Credit Administration's outreach to this group of very important farmers.

Again, I want to thank you Mr. Smith and Mr. Hall for being here today, and I look forward to today's discussion.

And now, I would like to turn to our distinguished ranking member, Mr. Fortenberry, and ask if he has any opening remarks. And if so, I yield to him at this time.

Mr. FORTENBERRY. Yes, Mr. Chairman. I have a few opening remarks. Thank you for yielding time, and thank you for calling this important hearing. Good morning, gentleman, and welcome.

Chairman Smith, Chairman Hall, I am pleased to see that you are here before us again, and here is why. Around this very time of year last year, our farming community, ranching community, and the rural communities of both Eastern and Western Nebraska, and Western Iowa as well experienced 500-year flood event. It washed away the topsoil that will take generations to replenish. It left a massive trail of silt and debris across corn and soybean field. And then, of course, thousands of head of livestock were lost.

But in the true Nebraska spirit, neighbor helping neighbor, our communities came together to recover and rebuild and become stronger than ever. So, I am proud of that.

Our regional banks played an important role in this recovery, extending critical financial recourses to aid in this effort, and so did you. The Farm Credit Service of America and other financial institutions in the Farm Credit system supported our communities and allowed many farmers and communities to get back on their feet.

I want to also publicly thank Chairman Bishop and, frankly, the entire Appropriations committee for their sympathy and understanding in working with us to really get our minds around the reality of what happened to us, and to be supportive and an extra resource. So, thank you, Mr. Chairman.

And your appearance before us today is timely, because our farmers and ranchers and others in the ag community are facing a number of challenges from low-commodity prices and tight margins, to the externalities born of hard but absolutely necessary trade negotiations to have a reset, a reckoning so that America is treated fairly. We also face natural disasters, as we all know, and something that we don't talk enough about in farm communities, this ever-escalating cost of health care.

So, your organization is critical in ensuring that the local farmer in my district, or the young man or woman interested in agriculture has the financial resources to start. To purchase seed, tractors, columbines, fertilizer, and land, and has ways to both store and transport their products.

But today, I want to touch on three areas of interest. I am eager to get an update from you on the state of the farm and rural economy, as well as the health of the Farm Credit system. We need to know if there are any warning signs on the horizon, and to know

if Congress needs to act in preparation for any threat coming to the farm economy.

In recent weeks, I have seen headlines about an increase in the number of foreign bankruptcies Chairman Bishop noted. One prominent headline shouted that farm bankruptcies increased 20 percent in 2019. Unpack this for us. Is this isolated to the dairy industry, or reflective of a broader trend? I recognize that we have had a number of good years, and an increase in bankruptcy from a very low level. It is still a problem, but it has to be put in context.

Secondly, how does the Farm Credit system work in conjunction with USDA programs funded in our Appropriations? I think this is important. I would venture to guess that the public in general knows very little about USDA's loan portfolio.

So, in this fiscal year alone, the USDA has loan authorizations exceeding $46 billion. So, there seems to be an embedded risk in the Farm Credit system absent these USDA loans. Is there something that needs to be done in this fiscal year of the appropriation process that reduces financial risk even further in light of the potential threats on the horizon that we hope you identify? I would like to look closely at the financial relationship between the USDA and the Farm Credit system as we begin to develop this year's appropriations bill.

And lastly, I am interested to learn in potential initiatives that you have undertaken, such as rural broadband and other infrastructure as well as, again, as the Chairman mentioned, lending to young and beginning and small farmers, especially since your agency sets in place policies that would influence lending decision affecting the long-term viability of rural communities. It is important that we unpack this as well.

So many people outside of our own agricultural community don't have the familiar with the Farm Credit system and how it plays a critical role in ensuring that America has per capita the lowest grocery prices in the world. That is called food security, and something we take for granted.

Food security is the basis of stability in any society, and we have seen the disruptions that can occur in faraway places when these factors have to be borne by people who do not have the capacity to react to them. It unravels social dynamics very quickly, causes migration, land degradation, and on and on.

So, again, food security is absolutely critical. So, without our farmers and ranchers, and our dependable access to the abundant and affordable credit, we may not have the situation that we have in America. This gift of an abundant, well-produced food source, again, that keeps our prices lower than anywhere else in the world.

So, you provide a backstop to the Farm Credit system, your backstop is more important than ever.

And so, I thank you for being here and look forward to your presentation.

Thank you, Mr. Chairman. I yield back.

Mr. BISHOP. Thank you very much, Mr. Fortenberry.

Mr. Smith, without objection, your entire written testimony will be included in the record, and I recognize you now for a brief opening statement. And then, we will proceed with questions.

Mr. SMITH. Very good. Thank you, Mr. Chairman, members of the subcommittee. My name is Glen R. Smith, board chairman and CEO of the Farm Credit Administration. Sitting to my left is my fellow board member, Jeffrey S. Hall, who is Chairman of the Farm Credit System Insurance Corporation.

Our past Chairman, the late Dallas Tonsinger, last testified before this committee last April of 2019, and in behalf of his memory and our dedicated staff of the agency, we are pleased to provide this testimony here today.

Before I give my remarks, I would like to thank this committee for your help with two issues in last year's bill. First, you raised our funding cap to address the unanticipated FIRS assessment after our Fiscal Year 2020 budget submission. The second issue involved a statutory limitation that could have reduced export sales of our domestic farm products. You and your staff worked with the authorizing committee and your Senate counterparts to resolve the issue. And for that, we are grateful.

Our fiscal year 2021 proposed budget request of $81.01 million is an increase of 4.35 percent over the fiscal year 2020 revised budget. 86 percent of our budget is dedicated to compensation and benefits of our employees. The budget request anticipates increases in the agency's contributions for retirements and includes $610,000 in reimbursable funding. To maintain our talent pool of dedicated employees, we aggressively recruit every year on a rotation of 16 schools for entry-level positions, including HBCUs, but more importantly, retention is just as important as recruitment, and we strive to maintain a positive working environment in our agency.

2019, FCA was recognized as the second-best place to work amongst small agencies in the federal government, and I am very proud to report that one of the subcategories of this high rating was our support of diversity, in which we ranked number one.

Since I became chairman last year, we have been working on a number of important rulemakings. Some of them have focused on strengthening the system, while at least half of them have focused on streamlining regulations to make them clearer for system institutions to follow.

Another priority of mine, as you mentioned, Mr. Chairman, is the mission to serve young, beginning, and small farmers and ranchers. Our initial efforts had been to improve the data reporting accuracy to get a good baseline, and meet with stakeholders, and explore best practices. Our goal was to further enhance the systems YBS mission and ensure that America's next generation of farmers and ranchers have access to the tools they need to succeed.

U.S. farm sector continues to face challenging economic times. In 2019, farmers and ranchers encountered declining financial conditions amid large commodity supplies, weak prices, and of course, weather extremes. High operating costs for labor farm inputs and other expenses are still putting stress on farm cash flows. Farm subsidy payments held, most notably crop insurance and MFP payments, and were, in many cases, the difference between net operating loss or profit.

Despite the challenges in the overall farm economy, I am pleased to report the system banks, as well as Farmer Mac are fundamentally safe and sound with strong levels of capital. As of September

2019, the system reported positive earnings that continue to support that capital growth. Overall portfolio credit quality does continue to decline, and the system institution, but the system institutions have strong risk-bearing ability. Meanwhile, we are watching those trends very closely.

Compared to a year ago, I do see some positive factors that should improve the egg outlook for 2020. A year ago, we had almost no trade agreements in place. This year, we have USMCA bilaterals with Japan and South Korea, and of course, phase one with China. It may take patience, but at least the groundwork has been laid for trade normalization and improved farm prices, and the fed's policy of lowering interest rates certainly improves margins in our happily, highly capitalized industry. So, I am cautiously optimistic for improvement in agriculture as we enter a new decade.

As Congress intended over 100 years ago, the Farm Credit system with the Farm Credit Administration as its regulator is well positioned to meet the credit needs of the American farmer and rancher.

Thank you, and I am pleased to take your questions.

Mr. BISHOP. Thank you, Mr. Smith. Before we begin the questions, as you pointed out, and as you indicated in your testimony, your appearance today and your testimony was in memory of Mr. Tonsinger. I would like to, with—I should ask the Committee to observe a moment of silence as we reflect on the service of Mr. Tonsinger.

[Moment of silence]

Thank you.

Well, Mr. Smith and Mr. Hall, as I mentioned in my opening statement, and as you mentioned in your testimony, 2019 was a particularly difficult year for U.S. farmers and ranchers as they faced trade uncertainties, large-commodity suppliers and extreme weather.

And yet despite these challenges, our farm income increased, largely due to the Government payments. This was certainly good news for the farmers for their bottom line in 2019, but what are their prospects this year and what are the major warning signs we should be paying attention to?

And does one of the trends, the rise in farm bankruptcies increasing farm debt? Are low-commodity prices or the high-level of loans classified as less than acceptable?

Does that worry you more than the other?

Mr. SMITH. Well it certainly does, Mr. Chairman. We watch those statistics very closely; in fact, on a quarterly basis we keep track of our institutions and their credit quality. And as you said, bankruptcies is a concern, but it starts with adverse loan quality which this last year, as of the 3rd quarter 2019, was up to 7.4 percent from 6.6 percent.

The definition of adverse loan quality is usually deteriorating current ratios, deteriorating margins, deteriorating liquidity sign of, of possibly some problems coming down the road.

The next category is non-performing loans. And at the end of the 3rd quarter, they were less than 1 percent at .92 percent, but up

from .83 percent from a year previous. That non-performing is just what it is, those payments have been late.

The next category is our delinquent category. And that is at .3 percent with a significant less than 1 percent. Up slightly, our 10-year range has been .2 to .66 percent. So we're about midway in that range.

Numbers themselves aren't alarming yet, but we're watching the trend closely because this does indicate a 4- to 5-year trend of decreasing loan quality. So that is certainly something we, we have been watching.

We have seen a recent article by the American Farm Bureau on bankruptcy, estimated that bankruptcies were—nationwide were up 20 percent.

Nationwide those numbers probably aren't as alarming as the local areas impacted by certain industries. Certain states like Wisconsin, and unfortunately, Mr. Chairman, your state leads the list on that. I believe the statistics was 57 bankruptcies last—in 2019, up an alarming 57 percent from the year before.

And a lot of that, some of it was dairy. I think some of the profitability in the peanut industry and the forest industry, which I know is important in your state, was deeply impacted. Not only by the tariff scenario and exports, but also by the hurricanes and—devastating.

Mr. BISHOP. Excuse me.

Mr. SMITH. And I think we talked about that last, and there is no government payment, there is simply disaster assistance available for that.

So in answer to your question, we are watching those trends very closely. From a national perspective it is—the numbers aren't alarming, but certain key areas like Wisconsin, Georgia, dairy; forestry bears, bears watching.

The solution, and as Congressman Fortenberry pointed out, in those disaster areas where we have seen some significant problems, we have talked and suggested directly to the institutions that they persevere as long as they can with those borrowers.

You mentioned a 500-year event. You don't recuperate from a 5-year event in just one year. A lot of times it means amortizing that loan out on a longer basis.

So wherever possible, we like to feel that we are sticking there with the American farmers and ranchers in good times and poor.

Mr. BISHOP. My time is about up, but can you give us a sense of current stress within the System's farm loan portfolio?

Mr. SMITH. Yes.

Mr. BISHOP. Are there certain commodities or certain regions that are more high-risk than others?

Mr. SMITH. Certainly dairy, as you identified, is a problem area, and that is nationwide, and that is something we are watching very closely. The forestry area was impacted profoundly by the trade issues and there was no Government programs available for that.

Those are 2 industries, along with—in our—in my Midwest area, my home area, grain crops continue to see duress.

Mr. BISHOP. Thank you very much.

Mr. Fortenberry.

Mr. FORTENBERRY. Thank you, Mr. Chairman.

In that regard, Mr. Smith, can you talk about the decline in land prices? Again, is this isolated to the areas that you spoke of because of regional considerations or is there a general trend downward?

And then one of the challenges in your business, frankly, is if you have a declining level of capital, yet you have a performing loan.

Mr. SMITH. Yes.

Mr. FORTENBERRY. How do you manage that in terms of your books?

Mr. SMITH. As far as land values, it correlates directly with enterprise risk through certain areas of the country. And most of the impact has been in our area of the corn belt and areas impacted, like dairy.

Some areas of the Northeast, although as far as declines in land values, very surprising that land values have held in there that resilient.

It does irritate me a little bit to hear that land values have stabilized because I always add for now." If negative circumstances were to continue, certainly land values are vulnerable. And we saw that back in the 1980s.

Beginning in 1979, 1980, we had trade issues back then. We had some severe problems in Ag. We saw about a 15 to 20 percent loss in land values in the Midwest. I am most familiar with in the Midwest. And then we saw stabilization from about 1983 through 1984. And then from there we saw—we went off the cliff as far as land values.

We are not there yet. If you compare us to the 1980s, definitely we are not there yet. But as far as land values, there still is a certain element of fragility to it.

Mr. FORTENBERRY. But you have the dynamics within—the financial management tools within your constructs.

Mr. SMITH. Yes.

Mr. FORTENBERRY. On performing loans that might have actual lower capital values based upon the ups and downs of land——

Mr. SMITH. Yes.

Mr. FORTENBERRY [continuing]. To actually work through that for the long-term.

Mr. SMITH. Yes, sir.

Mr. FORTENBERRY. There have been instances where if you have got a performing loan, but a drop in the value of the capital asset, then you have got problems on the books. But it is an artificial problem.

So do you have, again, the flexibility in the portfolio to weather that?

Mr. SMITH. We believe we have the strength in our portfolio. Number one, our strong capital position, which is something we did not have in the 1980s. And the other thing that we need to emphasize with the Farm Credit System: it is very diversified.

Mr. FORTENBERRY. That is actually a good point. In the 1980s you did not have that flexibility and it actually accelerated the problem.

Mr. SMITH. Right. Particularly in the corn belt area, yes.

Mr. FORTENBERRY. Let me turn to beginning farmers and ranchers. And this is important. The reason is that a number of us, including Ms. Pingree, have worked on this issue and it—production agriculture is the backbone of, again, in many ways, America's economy.

One of the last things we produce on mass, we have got the values of stewardship by our farmers and ranchers; as well as, significant resource capacity in our country that positions us extraordinarily well to, again, help the world in this regard.

However, there is only so much land.

Mr. SMITH. Yes.

Mr. FORTENBERRY. Land is concentrated in fewer hands. But the—interesting, agriculture is growing. The University of Nebraska's Ag program is growing. And agriculture in terms of a siloed field, agronomy or animal science, is not the case anymore; it is environmental science, it is biology, it is international development. It is the whole ecosystem of well-being; again, starting with food security. This is very attractive to young people.

So while young people who may not be coming from a farm background or tradition may not ever have the capacity to own 1,000 or 2 acres; none the less, expanding the agricultural family through specialty crop production, part-time Ag interest. Again, recreating the types of production that might be smaller-scale and more traditional forms of agriculture actually are exciting new opportunities.

Does your perspective, or again, rules that govern you, allow you the entrepreneurial capacity to begin to move in that space more aggressively? Because this is expanding the agricultural family and I think that is very exciting.

Mr. SMITH. We believe it is, and it was one of the first things when I came to the Agency I researched and looked into our mission on young beginning in small farmers. And while we were involved in it and every association is required to have a program, I felt we could do more.

And we—I began programs to do more. And it is not a fast process, but the recognition that the small and beginning farmers—and of course, I can say that from a first-hand basis because I was one—is very, very important to that.

Mr. BISHOP. Thank you.

Ms. Pingree.

Ms. PINGREE. Thank you very much, Mr. Chair, and thank you for holding this hearing.

And thank you and your team for taking over, and I appreciated having a chance to chat with you a little bit about this.

I have one big question, but since my colleague just asked about this, I will just follow up on that. And I know I actually asked you the same question and really appreciated you giving it this sort of bipartisan slant. But also, you know, the difference between Nebraska and Maine is pretty significant in terms of how many farms, how big their farms are.

But it is a reflection of how this is happening around the country and that there is a lot more interest in young people in all of the very things that were just talked about: value-added products, dealing directly with restaurants. There is just a whole new market opening up, and certainly, that has been a concern in my state of

the inability of Farm Credit, at times, to sort of see the value of getting into those loans.

So I just want to commend you for doing that and say that I will certainly, you know, be talking to our farmers back at home to make sure they understand there could be more opportunities or there are more in the future.

And the one thing, and we have all really agreed with the State of Georgia as they have gone through just this horrific process of trying to recover from a storm most people didn't even notice, frankly.

But the reverse of that in Maine, we have only had 3 Chapter 12 Bankruptcies in 2019, and I think a lot of that is because we are promoting much more of small- to medium-sized farmers who are, you know, actually really doing pretty well; even though on the books, they don't always show up as commodity crops or the kinds of things that are conventionally seen.

So I think maybe I won't even force you to answer that, because I just want to get onto another topic. But I wanted to commend you and say, let's keep working together on that, and I am really grateful that there is interest across the Committee on it.

Mr. SMITH. Thank you.

Ms. PINGREE. I want to get in a question [cough]—excuse me—about hemp. I think it can sometimes be the bane of our existence, here in Congress, dealing with hemp and CBD, because there has been a lot of confusion around it.

But there has been great interest since the farm bill. In Maine, it is growing at a rapid pace; it is grown in every 1 of our 16 counties, 2,000 acres in 2019. But there are these growing pains.

We had one farm last year, the Sheepscot Farm in Maine, they were dropped by their insurance company. They were also dropped by their bank because they were growing hemp and there was this confusion. We are hoping that some of these regulations get straightened out and, you know, we can work more on that.

But what have you been hearing from the banks in their willingness to lend at hemp growers? What steps are you taking since USDA published its interim final role, which was last October, to help hemp growers gain access to credit? There is, there is a real no-person's land out there and it scary for the farmers.

Mr. SMITH. Certainly. And any new enterprise, we greet it with excitement because it is always nice to see a new alternative to our cash crops. If I may, I will defer that question to my fellow board member. Jeff Hall is from Kentucky, which is one of the pilot states.

Ms. PINGREE. Oh.

Mr. SMITH. And I will let Jeff field that.

Mr. HALL. You have hit the exact problem. There is so much of the infrastructure that has to be developed in order for producers to benefit from this potential crop. We have actually released guidance to the system; it is legal now as a result of the farm bill. But there is so many more questions. FDA has to get involved, transportation, all of those issues.

Ms. PINGREE. Mm-hmm.

Mr. HALL. So it has gone from an issue of being legal to an issue of creditworthiness. And for farmers, the System is able to loan to

producers in hemp. But by and large, those loans are basically security with other crops.

So rather than just directly lending to hemp, most times, it is an operating loan for different enterprises.

Ms. PINGREE. Mm-hmm.

Mr. HALL. So we will have to wait and see. But we are very cautious, but we are optimistic that things will develop in the infrastructure. We have—there is a multitude of possibilities on the use of hemp, but there is so many more questions yet that have to be answered.

Ms. PINGREE. Well I appreciate that your guidance is specific in about it being legal. I do understand that creditworthiness becomes an issue because there is so much flux in the market right now and because there isn't sufficient infrastructure. But more, just the confusion about if you make your investment, will you be able to sell your crop, or at the end of the year, won't it be viable.

So some of things that we have heard in the past are banks or credit unions just getting nervous about legality and the uncertainty of that.

Mr. HALL. Mm-hmm.

Ms. PINGREE. And so it is important for you to be issuing those kinds of documents to say to banks and credit unions, you know, there is—"You are okay. You are not going to jail. The regulators aren't coming in to get you."

But I think there has been a lot of confusion, and unfortunately, since we haven't been able to move the—a Safe-Banking Act in the Senate, which does have provisions to make it really clear about hemp, that is just one more obstacle.

But I feel for you in Kentucky. I know that it is a much more active state, but I appreciate your level of awareness and hopefully we can get this straightened out in the near future.

Mr. HALL. Absolutely.

Ms. PINGREE. Thank you, Mr. Chair.

Mr. BISHOP. Thank you, Ms. Pingree.

Mr. Moolenaar.

Mr. MOOLENAAR. Thank you, Mr. Chairman, and thank you for having this hearing today.

And I want to thank you both for being here and your testimony.

I wanted to talk with you a little bit about the Farm Credit System and areas that I am interested in, relative to rural infrastructure.

Mr. SMITH. Mm-hmm.

Mr. MOOLENAAR. It is something in my district, you know, I hear a lot about the needs of infrastructure—aging infrastructure. There is also the need for rural broadband, which I would kind of include in that area.

I am wondering what limitations there are for the Farm Credit System to be involved partnering with rural infrastructure. What areas we might be able to expand opportunities, and any insights you have in that area.

Mr. SMITH. Okay, thank you. And that is an area that the system, I am proud to say, is, is actively involved in.

Right now our Title 3 lending, one of our major banks has Title 3 lending authority. And historically, that has been in rural elec-

trification, rural water, wastewater treatment systems and—but about 7 billion right now is currently—is committed to communication projects, which broadband would fall under that area.

So certainly we have the authority there. And I believe my last hearing, Congresswoman Spanberger mentioned—I thought it was a great quote. She said she thought rural broadband would be the rural electrification of this century. And I definitely agree from that, coming directly from the farm in a rural area that connectivity is so important.

They talk about the farm technology; it is not only just farm technology, but it is our schools, it is our hospitals, it is our Ag business, it is our small manufacturing companies that need to connect with the world. If we don't have that connectivity that puts us on a level playing field, quite frankly, we will lose it.

I can look back at my wife sitting behind me, in the green, of almost 40 years. When we were beginning farmers, small and beginning farmers back in the 1980s, we literally ate and paid our light bill from her paycheck of working at the hospital. And that probably continued about 10 years before we finally got our footing in our Ag businesses and in our farming operations.

And so it is critically important to maintain that rural infrastructure, and I am proud to say that Farm Credit System has an active part in that.

Another avenue is what is called our mission-related investments where we can go into local communities on a case-by-case basis and invest in facilities that may not be directly related to Ag, but certainly critical to the rural economy; and that is those hospitals and those senior care facilities and things that we desperately need.

Rural America desperately needs capital. And that is one thing that we see our role of Farm Credit is linking that capital in those global markets to the sale of our securities, directly to that farm gate. So I am a very—pretty strong proponent of that.

Mr. MOOLENAAR. Is there anything more we can do to communicate that in our districts, in our communities so that people on the ground would kind of understand those opportunities? Or do you feel like that information is well-disseminated?

Mr. SMITH. Well, we have found that most of the institutions, it tends to be more localized. They maybe have the expertise and experience in different areas, so we are able to grant them that approval.

So if we could educate, I think there is a huge potential for other areas and other institutions to do that.

So, so yes, sir, I do believe there is a little bit of void as far as information on that.

Mr. MOOLENAAR. Well any recommendations you or your team have in terms of how we can facilitate that communication. Because I know it is a huge priority in my district and in rural Michigan. So we would welcome your insights on that.

Mr. SMITH. Yes. Well thank you, and we are bumping pretty much up against our authority on that. And if, in your wisdom, you feel that we need to expand on that authority, we would—obviously would help us in those areas.

Mr. MOOLENAAR. Thank you very much.

And thank you, Mr. Chairman.

Mr. BISHOP. Mr. Aderholt.

Mr. ADERHOLT. Thank you, Mr. Chairman.

You referenced in your comments, I believe, that the market facilitation program.

Mr. SMITH. Yes, sir.

Mr. ADERHOLT. And how it has been able to steady the shift for many farmers over the last year.

Mr. SMITH. Yes.

Mr. ADERHOLT. Especially the farmers that has really had a difficult time. Looking ahead, can you talk about the improved trade certainty that you—how you think will hopefully bring the incomes back up to the sustainable levels for—in the—over the next year and years to come?

Mr. SMITH. Yes.

Mr. ADERHOLT. Yeah, just your thoughts on that.

Mr. SMITH. Well as I say, the groundwork has been laid. Hope is better than no hope, right? But the markets have taken the stance is "Show me." And they need to see ships going overseas with our products. We need to see actual export numbers before they react it.

For instance, soybean futures are roughly about 60 cents less than they were early January. So we haven't seen any, any profound movement yet. But it will take time. It will take patience. Trade agreements obviously don't happen overnight; and recapturing that trade.

Well there seems to be a lot of discussion right now over 2020 MFP. And the crops, we are months from even putting it in the ground, let alone, raising a crop, let alone storing that crop and marketing that crop that goes into 2021.

So we have had the last payment now authorized for the 2019 crop. And I guess the attitude needs to be, "Let's see." "Let's see if this will work."

Mr. ADERHOLT. Let me—my colleague, Mr. Moolenaar, mentioned the rural aspect. And I also want to focus on that a little bit. Oh, and the corporation between the Farm Credit System and the community bankers and how they can effectively spread risk and enable new projects that previously were, quite honestly, were probably unfeasible to do.

Can you outline some of the work that FCA completed in the past year to encourage rural investments? For important infrastructure; I know we talked about broadband was mentioned, but also rural hospitals, that aspect as well.

Mr. SMITH. Okay, certainly. As far as the rural hospitals in our mission-related investments, one of the criteria as far as buying those bonds and participating, is to make sure that local institutions are offered the opportunity to partner with that.

And that is very important. We are not trying to take the business. What we found is that criteria, a new hospital in rural America, a 20, $25 million price tag is often beyond the scope of local banks; and yet, it isn't enough to attract the big players in the financial industry.

So we feel the Farm Credit System has a very valuable tranche there they can fill with that——

Mr. ADERHOLT. A niche there, for that particular——

Mr. SMITH. Yeah, we feel there is a niche, right. And—but it is important, at the same time, that we offer participation. And as I say, it is a criteria for the investment and it has to—the institution has to demonstrate that they have contacted those local institutions and offered participation.

Mr. ADERHOLT. You might not know anything offhand, but if you can think of anything that we can do to expand that, in our kinds of—to these kind of investments in rural America, like broadband, rural hospitals and all that would be certainly important for us to know. And I think that's all I have right now.

Thank you, Mr. Chairman.

Mr. BISHOP. Thank you, Mr. Aderholt.

Mr. Harris.

Mr. HARRIS. Thank you very much, Mr. Chairman. Let me just follow up a little bit. I want to thank the gentlelady from Maine for mentioning the possible problems with hemp as a crop.

And one of the issues I know is that if the THC level is too high, an entire crop could have to be destroyed. And my understanding is that is not covered under crop insurance plans and things. So that would be a total loss for the farmer if that happened to occur.

Mr. SMITH. I will answer the question initially because I know the crop insurance covers crop loss. But what I read doesn't differentiate whether that loss is necessitated by being over .3 percent THC or from natural disaster or weather. And I assume it is maybe from natural and doesn't include the necessity to destroy it.

If I might, this is an area that my fellow board members worked extensively with. May I defer the question to him, Congressman?

Mr. HARRIS. Sure. Oh, absolutely.

Mr. HALL. No, I think you're exactly right. If it is above a certain level of THC, the crop has to be destroyed by DEA. And as a result, the farmer would have no income from the sale of that crop, and there's really no crop insurance coverage for that.

Mr. HARRIS. So do the farm credit agencies—because you had suggested that in fact the loans are not made solely for the hemp crop. It's usually a broader base of protection for the farmer in terms of loss. But are there protections in place for the credit agencies that limit the amount of exposure that a farmer can have to a total crop loss from that portion of their portfolio that is in hemp? Or could a member agency just say, "Well, no. If this farmer just wants to grow hemp, we're fine with that too," because that would seem an unacceptable risk to me.

Mr. HALL. Well, it's a risk that the individual associations would make or banks, commercial banks, would have to determine themselves. We don't have any particular guidance related to that.

Mr. HARRIS. But as overseers of the system, why wouldn't you have guidance on that?

Mr. SMITH. In our guidelines we clearly point out those risks. We highlight those risks of losing a whole crop.

Mr. HARRIS. Okay, thank you very much. And my colleague here mentioned the importance of trade and the—you know, the interaction of the globalism of the agriculture basically and how trade interacts with it.

In my district I know that, well, you know, poultry is big in my district. Could you discuss what—because a lot of time is spent on

soybean and grains, but the importance of international trade for livestock and dairy. And my understanding is the USMCA actually made significant advances in terms of our ability to have dairy farmers to participate in trade. Could you elaborate on the importance again of livestock and dairy?

Mr. SMITH. I would be happy to and protein products in particular including poultry probably have some of the best potential of income gain the next year. If you look at the bilateral with Japan, you've seen our beef markets have stepped up into a nice area due to those increased exports to Japan in just the last year. So there is clear proof that we get back to some trade normalization, we're going to see some benefits.

China, the goal is 77.1 billion import of ag products over the next two years versus 20 billion a year prior to the tariffs will hurt—help all sectors ranging from timber products to poultry. But given the disaster that they've had in that country with the African swine fever and that chronic shortage of protein that they derive primarily from pork, and there's some huge potential. And if you look at the export numbers, they have been improving all over the world on poultry in particular.

Mr. HARRIS. I'm aware of that. And just finally, again, there was a lot of talk about—and some of the discussion in your testimony about trade uncertainties and all. And it is clear there were trade uncertainties with regards to soy, important product in my district.

But my understanding, and since the financial results are so good for the last year with regards to the farm credit agencies, my understanding from my farmers it that the president has kept true to his promise to try to make whole those farmers who are affected by the trade uncertainties as we were going through the negotiations with China. Is that your overview of what happened, in fact, that most farmers, in fact, were able to succeed despite the trade uncertainties because the backstop that the USDA provided?

Mr. SMITH. It was certainly an important element of that, yes. But with any ag policy broad stroke there is always some areas that are going to fall short. And unfortunately, you know, I mentioned timber exports and forest products was not covered by any MFP. And there's a prolifera of other products that weren't covered. Broad stroke, yes, it was a tremendous help to shore up those cash flows, to shore up those margins, include improved liquidity. But that didn't include everybody.

Mr. HARRIS. Thank you very much. Thank you, Mr. Chairman.

Mr. BISHOP. Thank you, Mr. Harris. In recent years we've seen the rise of a number of farmers turning toward alternative lenders to secure more credit. This highlights the economic reality for many farmers and underscores the desperation that they feel in order to stay in business.

Although loans from alternative lenders may be easier to secure than the more traditional loans, they are riskier. They often come with higher interest rates and not as heavily regulated.

As the more traditional sources of credit decide to take on less risk during these uncertain times, what is the farm credit system going to help our farmers and keep them profitable? And what advice would you give to a farmer that takes on debt from an alternative lender?

Mr. SMITH. An alternative lender, and you said it, Mr. Chairman, is a sign of desperate times. They're running out of options, and they're looking at last options to stay in business. You can call it nontraditional, alternative lenders. We've heard them referred to as payday lenders because of the interest rates that has been charged on them, which generally tend to be quite a bit larger than prevailing rates.

So I think the best thing that the system can do and the system institutions can do, particular in times of duress, is to encourage that those institutions work with those troubled borrowers as much as they can in seeking alternatives. There's, I know when I traveled up in the Northeast, particularly Vermont, and visited some dairy operations, a lot of those operations with the prompting of their local loan officer had diversified in other enterprises other than dairy. Diversification sometimes means one of the spouses taking an off-farm job. But the reality is the dairy wasn't providing enough income to support that family.

So you can't underestimate that relationship between that loan officer and that borrower on looking at alternatives, maybe restructuring for term to get them through those tough times so they don't have to rely on interest rates that might be reminiscent of the 1980s. I'm not aware of any specific interest rates that have been quoted, but I hear they're high because those are desperate measures.

Mr. BISHOP. Well, I'm given to understand that with the trade mitigation payments that the administration has made over the last year, that a large amount of that money has gone to alternative lenders for repayment of their loans, which has put some stress on the—some added stress on the farmers.

Let me go back to the young beginning of small farmers. In the 2018 Farm Credit Administration notes the need to improve service to young beginning of small producers. And to that extent, the Farm Credit Administration issued an advance notice of public rule making to collect information from the public regarding revisions to the YBS regulations.

Can you provide any updates on what you've learned and when we can expect a final rule?

Mr. SMITH. We just come out of the comment period on that rule and in the process of sorting through those, the purpose of that is to get public input, input from the institutions on the rule. But I would expect we'll probably be rounding up a final rule about mid to late spring on that.

And that rule was directed at getting the information correct. We found that maybe we needed to update our information collection techniques. Jeff and I initiated a new office within FCA: Office of Data Analytics and Economics. And we're really excited at the potential that office holds, and it's helping us to sort through and make sure we get good updated information on young and beginning and small farmers.

How do we evaluate this program if we don't have a good baseline? And we found that there was maybe some deficiencies, and we're working hard to improve that. That's the first step.

Mr. BISHOP. The annual report notes that today there are high capital demands of agriculture and new entrants require affordable

and dependable credit. Do the new farmers know the resources that are available? And what do you need from Congress to reach more farmers?

Mr. SMITH. It certainly depends on the size of the operation, and we've emphasized a lot on small operations. I don't think it's realistic for a beginning farmer with no other resources to go out and borrow and buy $10,000 an acre land or have a million dollar line of machinery. So I think that's why the YBS program is so important that we address the needs of those small and maybe part-time farmers first.

It entails a higher degree of loan officer participation. It may not be efficiency lending, but as the regulator we hope to exert influence to encourage the lenders to look at those type of loans.

Mr. BISHOP. Thank you. Mr. Fortenberry.

Mr. FORTENBERRY. Mr. Chairman, you anticipated some of my questions as well. So let's continue on that because again, we have a well-established system of farm credit in the United States, and we can go through the traditional questioning around vulnerabilities in portfolio and all that. But with the emerging opportunity of again, broadening the agricultural family around new innovative but smaller ways of enhancing economies and connecting the rural to the urban.

Your terms are a bit vague, and that's not necessarily pejorative. But can you identify in terms of the farm credit system the amount of portfolio that's going to these considerations of underwriting young and beginning farmers? Or what is your goal in that regard without pegging, you know, without demanding that you put a set-aside, if you will, of a certain amount? I don't want to do that necessarily. You're talking in the right terms of conditioning the credit culture, the financial system toward these emerging—because what tends to happen in government is we lock in around a set of needs and variables and then it gets institutionalized, and we do the same thing over and over again.

What we don't want to do is not allow for the flexibility with—not in any way making a portfolio any riskier, but not allowing the development of the flexibility to enter into this new space, which is exciting. It's entrepreneurial. It's the next way of agricultural development. It's good for the economy. And again, it's a field of growing interest that's broader than what we've traditionally done, but that's okay.

So how are you specifically—give some specific examples of what you're doing now. Let's move from the abstract to the reality. And then how do you envision the tactics of moving toward that goal? I get it. You're being intentionally vague. This is not a judgment on that because this isn't fully developed yet. But what we're doing is we're pushing you——

Mr. SMITH. Right.

Mr. FORTENBERRY [continuing]. To develop this quicker because again, I think it is consistent with your mission.

Mr. SMITH. Right.

Mr. FORTENBERRY. And it is consistent with what we perceive as policymakers as this demand of our—of the people we represent. And it's good public policy.

Mr. SMITH. Yes. No, I appreciate you narrowing down on that on specific examples. And as I said, the first step was to get the information correct, which is what we did with the NPRM.

I've been doing a significant amount of traveling before I became chairman. The first year and a half, I think I've been in twenty different states. Seen a multitude of diversity in operations, which I think is important for a board member, number one, to understand this whole, huge breadth of——

Mr. FORTENBERRY. Let me interrupt for just a second. And it's not just new emerging opportunities for people who now want to move in the ag field. It's also existing options within production agriculture for diversification.

Mr. SMITH. Yes, yes, certainly. Certainly. Particularly as you move in areas of stress where you need to look at alternatives. So as far as me personally, I've been gathering information——

Mr. FORTENBERRY. Let's put a timeline and goal on that so we're not having the same conversation next year, which obviously isn't your intention. But let's lay down some markers right now——

Mr. SMITH. Yes, sir.

Mr. FORTENBERRY [continuing]. As to what we're going to do when without holding you necessarily in terms of a law to this. But let's lay down some objectives.

Mr. SMITH. You're talking my language, Congressman, and let's set some goals on it. One goal we have immediately in front of us, and that through my travels, the states, and all that, I've noticed a high correlation of successful YBS programs is a high level of cooperation between FSA and the system institutions and the loan officers. High correlation there. I'd say above ninety percent. And that's from travels, listening, and learning first, okay?

So as far as a specific then, we are organizing right now. I met with Undersecretary Bill Northy here a week ago, and we are working towards bringing a workshop here in D.C., and bringing FSA, bringing the farm credit banking institutions, and other federal agencies together on how we can share this information.

Mr. FORTENBERRY. I have a better idea for you. Why don't you do that at the University of Nebraska? Why don't you give us a try first? We have the Center for Agricultural Entrepreneurship. I'm going to tell you a quick story about the Brueger brothers. These guys could be a reality TV show.

Mr. SMITH. Okay.

Mr. FORTENBERRY. They live in a small town right outside of my congressional district. Traditional production ag grain farm.

Mr. SMITH. Yes.

Mr. FORTENBERRY. They want to do something innovative and interesting to themselves but continue the long family tradition of the farm. So they're starting to grow hops. They bought the bar in the downtown area. They've revitalized that. They're going to have their own brand. Amazing, amazing, exciting things. And it repeats itself over and over and over again across Nebraska with people who are in their, oh, maybe twenties to forties, generally. Although there are some people beyond that as well doing exciting things.

Mr. SMITH. Yes.

Mr. FORTENBERRY. So we have the Center for Agricultural Entrepreneurship. Come do it with us. Give us a try. We'll be your focus group, so to speak.

Mr. SMITH. Sure, we are open to invitations. And there's even a few of those success stories over across the river in Iowa.

Mr. FORTENBERRY. Well, I know you're from Iowa, and you had to slip that in. But we'll leave it at that. My time is expired.

Mr. SMITH. But I would appreciate the invitation.

Mr. FORTENBERRY. Thank you.

Mr. BISHOP. Thank you, Mr. Fortenberry. Mr. Smith, you had testimony notes that a key factor driving the fiscal year 2021 budget request is the need to hire and to train qualified individuals to replace the many employees who have begun to retire. Attrition and subsequently backfilling are challenges most agencies face, but it is particularly acute at FCA.

The examiner commissioning program takes three to five years to complete I understand. Can you discuss the commissioning process, and given that approximately a third of the examination staff are eligible to retire within the next five years, what impacts will this have on the examinations of the FCS banks and associations? And do you anticipate a decrease in the frequency of examinations?

Mr. SMITH. So the commission, our examination commission staff, is what we call our boots on the ground. That's sixty percent of our workforce and that's the heart of Farm Credit Administration. So it is extremely important.

I mentioned that we recruit actively at rotation of sixteen universities, and usually our class, we look at around fifteen to sixteen, depending on the retirements and the attrition. Our average attrition is about nine percent, for our examiners, eight percent over all agency. So every year, we have to have that active recruiting class. But even though forty-one percent of our workforce is eligible, of the exam workforce is eligible for retirement in the next five years our HR director pointing out that most of our staff stay an average of eight years after retirement. And that's a reflection——

Mr. BISHOP. After eligibility?

Mr. SMITH. After eligibility, yes, sir, after eligibility. So that is a good example of a positive working environment. But those newly commissioned examiners, it is so important to offer them chances to move up and leadership within the organization. And of course, we have four field offices in addition to McLean that offer hierarchies of leadership within the organization.

So that's important that we create our leaders within. We had a turnover on our senior management staff last summer, and we had replacements, due to retirements, of four staff members. Correction: one of those was a new data office analytic director. But all of those were brought in within the agency. We created our own. So it is very important to create those different generational levels of succession and maintain that positive work environment.

Mr. BISHOP. Tell me about your diversity and about your recruitment efforts. And you mentioned earlier in your testimony about recruitment at HBCUs.

Mr. SMITH. Yes.

Mr. BISHOP. I think we included in our appropriations bill some scholarships to deal with that and to interest people in careers in

agriculture. Can you talk about that and how you are utilizing that program or how you intend to utilize it?

Mr. SMITH. Yeah. And that is something that we look to with a diversified workforce and recognition of that diversity. We hired a fulltime EEO director four years ago. And not only is she—part of her responsibilities is for equal employment opportunities but also support for diversity, active programs that recognize our minority employees which I think is important again in retention. Once we get our employees within the fold, we need to keep them. And going back and not to brag but placing number one in diversity and our ranking of number two in federal agencies we think is a pretty good, a testament, to our success in those areas.

Mr. BISHOP. Thank you very much, Mr. Smith and Mr. Hall. We appreciate very much your being here today, and I appreciate your testimony and your assessment of the year ahead and look forward to working with you to meet the challenges. They're significant to be sure, but we remain hopeful. With that, the Subcommittee is adjourned.

THURSDAY, FEBRUARY 27, 2020.

FOOD AND DRUG ADMINISTRATION—STATUS OF OPERATIONS

WITNESS

SUZANNE MURRIN, DEPUTY INSPECTOR FOR EVALUATION AND INSPECTIONS, OFFICE OF INSPECTOR GENERAL, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. BISHOP. The Subcommittee will come to order.

Good morning. Welcome, everyone, to the subcommittee's hearing on health and human services' Office of Inspector General's efforts related to the food and drug administration. This is the first time since 2009 that the subcommittee has had a hearing with the HHS IG. So, thank you to our witness, Ms. Murrin, for appearing before us.

Eliminating fraud, waste, and abuse and correcting mismanagement is one of the most important roles of our committee, and I am deeply interested in the work that you do. Your office is at the forefront of these efforts as they relate to FDA. The subcommittee shares your interest in ensuring that the programs of FDA are operating at the highest levels of efficiency, responding to your recommendations, and protecting the public health, safety, and welfare of the American people.

This morning, I am interested in understanding what your office views as the biggest obstacles that are facing FDA today and down the road. As the largest inspector general office in the federal government, the majority of your work addresses other parts of the Department of Health and Human Services. Since 2015, this subcommittee has provided your office with additional appropriations to specifically address FDA oversight.

I would like to use today's hearings to better understand how these funds have helped you to achieve your mission and what else we can do. So, today, I would like to hear more about the work you have done to date, your plans to conduct adequate oversight of FDA programs, and the challenges that you face in ensuring that agreed upon recommendations are implemented, and complaints are appropriately addressed.

I look forward to discussing that with you, as well as other important issues, and I want to say again that we appreciate you and all of the work that inspector general staff does, and for all that you do.

So, let me at this time ask distinguished Ranking Member Mr. Fortenberry if he has any opening remarks, and if so, I would certainly like to recognize him at this time.

Mr. FORTENBERRY. I do, Mr. Chairman. Thank you so much for the recognition and let me thank you as well publicly for your leadership and identifying this important gap, if you will, in our own

oversight challenges and responsibilities. So, this is an important hearing, and I really appreciate your willingness to call it.

Ms. Murrin, welcome to the Agricultural Appropriations Subcommittee. Your agency has a daunting task. We all realize that in overseeing the spending and performance of agencies so large that they can be bigger than some countries around the globe. So, and it is one trillion worth of spending that you have responsibility over, and as the chairman identified, part of that responsibility is over the Food and Drug Administration.

So, let me start with one of our most basic needs: drug safety. The people back home expect safe and effective drugs, vaccines, and medical devices, and as you note in your written statement, roughly 40 percent of finished drugs and 80 percent of active drug ingredients are made in more than 150 countries. Mr. Chairman, I am going to just read the sentence one more time. Roughly 40 percent of finished drugs and 80 percent of active drug ingredients are made in more than 150 countries.

Do you think we can trace all that? Most Americans would be shocked to know that most drugs or drug ingredients are not produced here, and as your audits have noted, FDA conducts limited overseas inspections. So, a GAO report, Government Accountability Office report from a few months ago highlighted the deficiencies in this foreign drug inspection process and said, for instance, "The officials estimated that the agency generally gives 12 weeks of notice to establishments that investigators are coming when investigators are travelling from the United States."

So, Chinese companies have 12 weeks' notice to clean up their act, and we give domestic manufacturers no time at all? This make sense? We need to know why the drug industry has moved drug production out of the United States. That is a fundamental question. And second, why we can't make pharmaceuticals in our own country? This is all the more urgent given the outbreak of the Coronavirus. This has accentuated the need, the urgent need for this nation to produce critical drugs and medical supplies right here.

I also want to talk about another basic FDA function. That is food safety. While the committee in general can have opposing views on certain things, one thing we agree on is the government's role in ensuring that our food is safe. So, we rely upon your agency and the GAO to evaluate and critique and make recommendations on how to fix what the FDA might not be doing correctly to reduce or eliminate food-related illness.

So, I see that your agency has only conducted two food-related audits since 2015. You can come back to that when we question. That is the information I see, and I am hopeful in your agency will do more in the future to answer fundamental questions about our food supply.

So, your office spends roughly four percent of its budget on FDA related work through the 1.5 million appropriated by this subcommittee, yet the FDA is responsible for oversight of 20 percent of all consumer spending in the United States. Do you see the gap?

So, here is something we can celebrate. I am in full agreement with you that you need more resources for this important work.

So, with that, Mr. Chairman, I will stop and yield back my time, and again, I appreciate your willingness to engage in this form of oversight.

Mr. BISHOP. Thank you, Mr. Fortenberry.

Before Ms. Murrin begins, a reminder to members that as is customary with the subcommittee, our members will be recognized by seniority for those that were here when I gaveled the hearing to order, and then, the order of arrival following that. I will alternate majority and minority members, and we will adhere to the five-minute rule.

Ms. Murrin, without objection, your entire written testimony will be included in the record. I recognize you now for your statement. And then, we will proceed with questions. You may summarize, or you may give the entire statement. It is completely up to you. The floor is yours, Ms. Murrin.

Ms. MURRIN. Thank you, Chairman Bishop, Ranking Member Fortenberry, and distinguished members of the subcommittee. Thank you for inviting me here today to discuss OIG's oversight of the Food and Drug Administration. We are grateful for the support this subcommittee has provided to OIG, which has allowed us to enhance our oversight of FDA's vital programs.

Our oversight has prioritized safety. We have recommended numerous actions FDA can take to make the food, drugs, and devices that Americans rely on safer. While our oversight has resulted in important progress in each of these areas, much more remains to be done. We are grateful to the subcommittee for this opportunity to bring public attention to these safety issues.

In food safety, our most pressing recommendations focus on food facility inspections and food recalls. It is imperative that FDA take appropriate action against all facilities with significant inspection violations and reinspect these facilities in a timely manner to ensure the violations have been corrected. OIG found that FDA took no regulatory action in response to 22 percent of the significant inspection violations we reviewed, and that when FDA did take action, it most commonly relied on the facilities to make voluntary corrections.

Finally, in almost half of all cases, FDA did not conduct a timely follow-up inspection to confirm the problem was corrected. Significant inspection violations can include finding rodents, Salmonella, or Wisteria in food production areas. These are serious threats to the food supply that need to be addressed.

With respect to food recalls, FDA took swift action to address many of the concerns we raised to ensure prompt and effective recalls. However, FDA has yet to establish performance metrics, like capturing the time between identification of a potential hazard and the initiation of a recall.

Without this, FDA cannot effectively identify and respond to firms that fail to initiate a timely voluntary recall, nor initiate a mandatory recall. This is especially important, given that in our selected sample of 30 food recalls, the median time between when FDA became aware of a potential problem and when a firm issued a voluntary recall was 29 days. The average was 57 days.

OIG has also identified vulnerabilities with FDA's oversight of the manufacture and distribution of prescription drugs. In response

to our work, FDA resolved all 289 outstanding preapproval inspections of generic drug manufacturers, most of which were for foreign manufacturers. Our ongoing work on the safety of foreign drug manufacturing assess FDA's foreign drug manufacturer inspection process.

Tracing drugs from the manufacturer through the supply chain to the consumer is also an area of concern for the OIG because each time a drug changes hands, it creates opportunities for counterfeiting, tampering, or diversion. OIG found that drug tracing information can be used to trace the legal ownership, but not the physical movement of drugs through the supply chain. However, both types of information are needed to support FDA in identifying and resolving drug safety and security issues.

In terms of devices, the OIG has ongoing concerns about FDA's oversight of network devices, such as hospital room infusion pumps and pacemakers. Without appropriate security controls, these devices can be susceptible to cybersecurity threats, such as ransomware and unauthorized remote access.

In response to OIG's work, FDA made immediate changes to its pre- and post-market processes. However, OIG recommends further improvements, including that FDA establish procedures for securely sharing information about cybersecurity threats with key stakeholders. OIG will continue to provide FDA oversight in the areas of food, drug, and medical device safety. In addition, ongoing reviews expand our oversight to include curtailing youth tobacco use, combatting the opioid crisis, and fostering drug competition.

Thank you again for the opportunity to be here today and share OIG's findings and recommendations on FDA. I welcome any questions you may have.

Mr. BISHOP. Thank you very much, Ms. Murrin. As you eluded and as Mr. Fortenberry eluded, according to the latest data from GAO and FDA, more than 60 percent of drug manufacturers for the U.S. market are located overseas, and 80 percent of active pharmaceutical ingredients are manufactured overseas in more than 150 countries. The degree to which we were allowing drug products that are made overseas raises significant challenges for FDA, and it is, of course, the subject of your audit, as you referenced.

Can you walk us through some of the problems that you have found in the foreign drug inspections process, and do you believe that the FDA currently has the capacity to effectively ensure the safety of imported drugs and active pharmaceutical ingredients, and what else do you think needs to be done in the event that you believe that we need to do more, which seems obvious with the limited resources that you have?

Ms. MURRIN. Thank you very much for your question.

The OIG is currently conducting a study of foreign facility inspections for drug manufacturers. When I have the results of that, I will have updated information, and we will reach out to you and provide you with a detailed briefing.

Mr. BISHOP. Okay. Since 2015, the subcommittee has provided you with $1.5 million with the direction that it be transferred to specifically focus on oversight issues related to FDA, and it is clear that HHS OIG covers a large portfolio with limited resources, and

the hope was that the FDA oversight issues could receive additional consideration with those funds.

How have these funds allowed your office to focus more on FDA, and what activities have you been able to support that otherwise might not have been done, and can you quantify what additional resources would allow you to do? For example, what would an increase of $500,000 permit you to do, that you can't do now?

Ms. MURRIN. Thank you.

Mr. BISHOP. Or a million dollars?

Ms. MURRIN. Or a million or two. What I do—where I should start by saying the OIG is extremely grateful for the funding that this committee has provided and for the focus that the subcommittee has provided.

You've both given us the funds these last five years and asked that we prepare a strategic plan. That process, our sharing that with you, has really helped us to focus our resources. The one and a half million that you've been able to give us each year has taken us up to $3.7 million each year that we have been able to devote to FDA, also which amounts to 16 staff years.

So it has had a tremendous impact on the amount of resources that we have available. There are two main projects that I'd like to mention that may very well have not happened without this.

One is about food. We did an audit of the food recall system that had—that found such problems that we had to issue an alert rather than wait for the audit to come out.

And FDA fixed a number of the problems before it came out. We discovered that most of the recalls are voluntary, and if FDA and the manufacturer agree, there isn't a problem, right? But if the FDA and the manufacturer do not readily agree that a recall ought to happen, it can take a very long time to resolve.

FDA has made some improvements in that area. We'd like to see them take more advantage of some of the FSMA requirements. We would not have known that there were these problems, and FDA has stepped out to really work, to really work on this. They've set up an FDA-wide senior team to work on it. They've taken many actions. We do have some outstanding recommendations.

In addition to that, we wanted to look at food also from the inspection side. And I talked a little bit about that in my opening statement to say that we did that report in—we did a report in 2010. They found exactly the same thing. It found that most of the—that a significant portion of the time when a significant violation is found, FDA does not take action, okay? And that they—in half the cases, don't go back to independently verify that the problem has been fixed.

We made recommendations that if there was a significant violation an action had to be taken, and if there was a significant violation there had to be a follow-up both in 2010 and again in 2017.

The money that you provided enabled us to go back to prove that these problems still existed on the ground and to emphasize that. And I am delighted to have this opportunity to discuss those.

Mr. BISHOP. Thank you. Mr. Fortenberry.

Mr. FORTENBERRY. Thank you, Mr. Chairman. Let me just continue with the same line of questioning, okay. Why are there sur-

prise inspections of drug manufacturing here whereas in some foreign countries, they're given 12 weeks' notice. Is that fair?

Ms. MURRIN. As an oversight entity, we're looking at how the agency can function better. I do not—I really can't comment on that policy based on our work.

Mr. FORTENBERRY. Why not? Where did the policy come from?

Ms. MURRIN. It would have come from FDA. I am not familiar with how it was developed.

Mr. FORTENBERRY. I'd like you to look into that, please.

Ms. MURRIN. I would be delighted to do that.

Mr. FORTENBERRY. I'd like you to develop an understanding as to why this unfair duality exists regarding domestic drug manufacturers versus drugs that are manufactured in certain foreign countries. I want to know why that exists, how it was developed, what rationale there is for that, what justification potentially, and if it needs to change, come back to us and tell us it needs to change.

Ms. MURRIN. We will do that.

Mr. FORTENBERRY. Apparently, it's grossly unfair.

Ms. MURRIN. Yes.

Mr. FORTENBERRY. An unlevel playing field tilted toward multinational corporations who have moved their manufacturing overseas probably to take advantage of lax labor standards and environmental standards for profiteering purposes.

And I want to know if that's embedded somewhere because of the fault of Congress or the fault of implementing agencies.

Ms. MURRIN. We will look into that and respond to you with that information.

Mr. FORTENBERRY. This is very important particularly given the raging coronavirus around the world and all of us suddenly discovering how much of our supply lines are related to——

Ms. MURRIN. Yes.

Mr. FORTENBERRY [continuing]. The area that is the source of the infection.

Ms. MURRIN. Yes, and this is one of the reasons why we're very glad to be out in the fields on our foreign drug inspection report.

Mr. FORTENBERRY. So are our drugs safe?

Ms. MURRIN. As an OIG we're always going to be able to find ways that things can be better, and we have identified certain weaknesses and we've love to see them—and we are working with FDA to see those fixed.

Mr. FORTENBERRY [continuing]. Extrapolating from that, what percent of our drugs are not safe? See, we can't——

Ms. MURRIN. Yeah, I don't——

Mr. FORTENBERRY [continuing]. Just keep talking in the abstract, that we're looking for ways to fix this and we've identified a problem. It's not fully your problem. I understand.

Ms. MURRIN. Right.

Mr. FORTENBERRY. But what recourse do I have? This, frankly, is one of the most important hearings going on in the United States Congress right now. It really is. And it falls to this agency of yours and other people of good will throughout the Executive Branch to come together right now and get in front of this question so that there's a permanent restructuring so that we're not left vulnerable again like we are right now. I need your help in this regard.

Ms. MURRIN. We will be very happy to work with you on that.

Mr. FORTENBERRY. But give me some more specifics. I'm sorry, it's an awkward question but I've got to keep forcing you out of the abstract to the specific. Tell us how large this problem is. Quantify it in some way, not just we've identified these gaps.

And I get it, you need to speak in that language. You need to be careful.

Ms. MURRIN. Right.

Mr. FORTENBERRY. But you have to understand I have to push as well.

Ms. MURRIN. No, and I do appreciate that. Sir, I'd be worried that I would say a number that is——

Mr. FORTENBERRY. I understand. That's a fair answer. But you know the challenge?

Ms. MURRIN. I do know the challenge. And we shared the concerns and really appreciate the concerns that you are raising, and we'll be working as hard as we can to address these issues and provide you with information.

Mr. FORTENBERRY. Okay. And this is the moment.

Ms. MURRIN. Yes.

Mr. FORTENBERRY. Given the world's consciousness and our government's attentiveness to this gap right now is starting to be reported. It creates a moment of opportunity rather than a moment of blame. So let's seize the opportunity to actually dig deeper and find out why there's an unlevel playing field potentially between the incentives to drug manufacturers to stay in this country versus go overseas and the vulnerabilities that that creates for us.

I need the specific answers to that. I need you to help me.

Ms. MURRIN. We will be happy to work on that and get back to you, sir.

Mr. FORTENBERRY. Mr. Chairman, is this fair?

Mr. BISHOP. It is fair.

Mr. FORTENBERRY. Secondly, it's the same question. Is our food safe?

Ms. MURRIN. And I would give you the same answer.

Mr. FORTENBERRY. I know you have to, but this is the broad architectural question.

Ms. MURRIN. Right.

Mr. FORTENBERRY. And then if we move yes, but here are a few gaps, great. Or no, we've got to get to work, fine. Clearly, we're somewhere in between.

Ms. MURRIN. I would put us more in the yes, but.

Mr. FORTENBERRY. Okay.

Ms. MURRIN. Certainly than in the no.

Mr. FORTENBERRY. All right. That's fair. Thank you, Mr. Chairman.

Mr. BISHOP. Thank you very much, Mr. Fortenberry. Dr. Harris.

Dr. HARRIS. Thank you. And now thank you very much for doing the work that I think is important because the FDA is very important, but you know, making sure that the FDA is fulfilling what I think most Americans expect from the FDA is important as well.

So let me just walk through some of the things you mentioned in your written testimony here. First of all, one of your identified

risks associated with medical device safety and security is the FDA needs to further mitigate risk of cybersecurity threats.

Now, I just don't think of the FDA as kind of a cybersecurity agency. In what you found do you think they have the experienced personnel that could do this? Because these devices are complicated. They are all over the place. They are a lot of them. I imagine there are a lot of ways cybersecurity could be compromised. Do they have the expertise in the agency to do this?

Ms. MURRIN. Actually, sir, we would say that this is an area where FDA is very much ahead of the curve. FDA is seen as a leader in the area of cybersecurity and in the security of medical devices. And while thankfully, there has never been an instance of those being compromised, FDA is devoting resources to making sure that they are out ahead of it to prevent it before it happens.

Dr. HARRIS. Good. So you think they will be able to deal with that with the resources they have?

Ms. MURRIN. I would certainly suggest that you ask them that question, sir.

Dr. HARRIS. Okay.

Ms. MURRIN. But we definitely in our reviews have found them working in the right direction.

Dr. HARRIS. Okay. With regards to—and then you also in part of your testimony, you expanded your oversight to include curtailing youth tobacco use, combatting the opioid crisis, fostering drug competition.

Now, you do say youth tobacco use, and you know the current concern is with vaping, not tobacco products, but you can vape other products. Are you looking at whether the FDA actually has the ability, or any government agency has the ability, but you are particularly concerned with the FDA, to actually regulate vaping of non-tobacco products?

You see what I mean? I mean, they clearly—they can—they have jurisdiction over tobacco products or nicotine.

Ms. MURRIN. Right.

Dr. HARRIS. But if you're vaping marijuana and there's no tobacco in it, no nicotine in it, it is unclear to me that—I mean, do they have the ability under the current law to regulate a device that delivers something that is either a non-pharmaceutical or something that is a—the device itself, it's delivering an illegal drug which would be marijuana?

Ms. MURRIN. Not being a lawyer, sir, I would hesitate to answer. I certainly understand your concern. I would be happy to have our counsel's office prepare an answer. I believe that the answer is no. Right now the authority is in tobacco in the forms that it is delivered.

Dr. HARRIS. Yeah, that's what I imagine. But if you get back to me on that, I appreciate that.

In terms of combatting the opioid crisis, one thing that the FDA could do I think is to somehow make Naloxone more available than it is. It is already—it is available, but you know, there are controversies, you know, co-prescribing, is the FDA doing all it can do to promote co-prescribing. So is that one of the things you looked at, the FDA's role in making sure Naloxone gets delivered to where it could be used to save lives?

Ms. MURRIN. We have not looked at that aspect with FDA. The OIG has identified four, in our whole HHS portfolio, four overarching priority areas. One of those is the opioid crisis. And we have a body of work on the availability of Naloxone.

We have a body of work on the availability of drug assisted treatment across the United States. And so we have been very active in that area.

Dr. HARRIS. Okay. I mean, and again specifically, I hope you do look at that.

Ms. MURRIN. But in terms of FDA——

Dr. HARRIS. Terms of what the FDA's role in Naloxone is.

Ms. MURRIN. Yeah.

Dr. HARRIS. Now one last topic is because you look at the safety of things that are being made available to Americans, and I am going to ask you about CBD, okay? Because CBD is a, you know, Epidiolex is an FDA approved drug. I think that gives the FDA the ability to regulate CBD in the marketplace.

It is clearly not being regulated enthusiastically or broadly, and we get more and more reports of people who make health claims, and sometimes they are not specific. You know, I'm going to get this, but you're going to feel better if you take it, or something like that. But the product doesn't even have a lot of CBD in it or maybe none at all. So you know, it is a purity issue.

Do you find that this is an area where the FDA has not used its regulatory authority as it perhaps should and is there politics involved in this or what because there are a lot people who are taking this thinking that it is going to make them feel better or has some medical qualities. But these products are sometimes not pure.

Ms. MURRIN. I have to acknowledge, sir, that our oversight of FDA has not extended to that topic and that, you know, we could add that to our list of potential topics, but I do not have information that I can share with you now.

Dr. HARRIS. Thank you very much. I yield back, Mr. Chairman.

Mr. BISHOP. Mr. Aderholt.

Mr. ADERHOLT. Thank you, Mr. Chairman. It is encouraging to learn that back in the year—I mean, or August 2019 report on HHS's response to the Ebola outbreak that despite other failures that FDA and HHS did collaborate effectively to begin the trial and production of vaccine and drug treatments.

I know that the current party regarding COVID–19 is containment and vaccines. However, I want to ask you about important or, actually, how important is the rapid production of antibodies and especially for people that are suffering from the virus.

Ms. MURRIN. Sir, I would suggest that you would get a much better informed answer for that from FDA than I would be able to provide you today.

Mr. ADERHOLT. Okay. So as far as, so you couldn't really speak to FDA as far as necessarily about their—if they have—do you know if they have looked into the possibility of private sector providers might be able to provide infusion-ready antibody drugs?

Ms. MURRIN. I do not know the answer to that at this point, sir, no.

Mr. ADERHOLT. Okay.

Ms. MURRIN. OIG is currently developed its oversight plan for looking at the coronavirus. There were meetings on it yesterday and again today, and I will be sure to make sure that that suggestion goes into those discussions.

Mr. ADERHOLT. Okay. Well, a lot of times in this Subcommittee, the issue of cybersecurity is raised, and if the protection of sensitive data is important, then the safeguarding of medical devices including the ones that are implanted are absolutely vital. Has FDA become more proactive in this field following your recommendations now particularly in the post-market setting?

Ms. MURRIN. Yes. FDA has made progress in this area. We continue to believe that more progress could be made. They are moving from a passive reporting system to an active—looking—an active look for data and I think that they will find that that is much more useful to them, so yes, I do believe that they are making progress.

Mr. ADERHOLT. Do you believe there is any particular areas where a rush to connectivity should be slowed down or cautioned in any way?

Ms. MURRIN. I think everything that FDA does should be done with caution, sir.

Mr. ADERHOLT. Mm-hmm.

Ms. MURRIN. I don't think that—as I said, fortunately, we have never had a real world experience of this, and I think it is very important that we continue to take this as a top area of concern, but I think that we should continue to move at the cautious pace we have been.

Mr. ADERHOLT. Is there any particular sectors of the healthcare industry that are acting irresponsible with cybersecurity from your viewpoint?

Ms. MURRIN. In terms of medical devices, sir? No I——

Mr. ADERHOLT. Or anything, you know.

Ms. MURRIN. No.

Mr. ADERHOLT. Okay. I want to ask you about the actions you have taken to improve and protect food supply and reduce preventable foodborne illnesses. You stated that the FDA has agreed with several of your recollections to address food supply vulnerabilities. How quickly is FDA acting on these recollections?

Ms. MURRIN. It varies widely, sir, on a number of issues. For instance, when we issued the early alert on the audit report that came out on food recalls, most of those recommendations were implanted even before the full audit report was issued, okay?

And then again, however, you can see on inspections where we—while there have been some of our recommendations that we have made to them have been implemented, there are recommendations that we have had about how to improve food inspections, how to deal consistently with significant violations that have not been dealt with in 10 years.

Mr. ADERHOLT. Mm-hmm.

Ms. MURRIN. And we very much appreciated this opportunity to bring that to the Subcommittee. I believe that we have provided the Subcommittee with this list of all of our open recommendations with FDA.

Mr. ADERHOLT. Okay.

Ms. MURRIN. And we would be happy to provide any additional information on any of those.

Mr. ADERHOLT. Okay. What steps do you plan to be taking in the upcoming year to better guard against food production lines or better guard food production lines themselves? Is there any particular steps that you could mention that come to mind or whatever, or any kind of additional structural changes that you believe need to take place?

Ms. MURRIN. Well, as we have been talking about, the follow up on significant violations. I think that is exceedingly important. There also continue to be issues about food safety that I would have—why don't I—may I respond to that later, sir, and give you a full list?

Mr. ADERHOLT. Yeah, if you could get back with us on that, that would be——

Ms. MURRIN. Yes.

Mr. ADERHOLT. But if you could, it would be helpful to get back with us. Thank you.

Ms. MURRIN. Thank you.

Mr. BISHOP. Mr. Cuellar.

Mr. CUELLAR. Mr. Chairman, thank you so much. Good morning.

Ms. MURRIN. Good morning.

Mr. CUELLAR. Sorry I am late. I had two other committee hearings at the same time.

I want to say that, you know, I want to talk about the coronavirus. And on February 20th, I joined some of my House colleagues a letter to the President, asking him that if there is any vaccine or treatment developed by U.S. taxpayer dollars that it would be accessible, affordable, and available. I just want to see how we can work with the FDA in your position.

Suggestions: to make sure that as we come with that that the rural communities be guaranteed access as, you know, we sometimes have a tendency of going to the big urban areas, but as somebody that represents a lot of rural areas just like a lot of our members how do we make sure that it is not only the large health departments in large cities in urban area cities get that, but also the rural areas. Any suggestions or thoughts on this?

Ms. MURRIN. Well, yes, as a matter of fact. Something that the Office of Inspector General could contribute to this conversation is that we have in other areas looked at the availability, for instance, I believe I mentioned medication-assisted treatment, where that is available in the United States versus where the need is, and we could identify the availability in rural areas versus city areas, and that is but one type of area where we have looked at the distribution of available resources as compared to where the problem is.

Mr. CUELLAR. Did you all come up with any recommendations in that area that you looked at?

Ms. MURRIN. Yes, we did, sir, and unfortunately, I did not prepare to discuss that report today.

Mr. CUELLAR. That is right.

Ms. MURRIN. But I would be happy to get back to you about that.

Mr. CUELLAR. If you don't mind.

Ms. MURRIN. Yes.

Mr. CUELLAR. And then to finish your thought? Sorry.

Ms. MURRIN. No, but that OIG could take a look at distribution on issues like a vaccine just to see where it was going and where it was available and how that compared to urban and rural settings.

Mr. CUELLAR. And I certainly feel that your office can certainly look at that distribution. I am just concerned sometimes we have a tendency of forgetting the rural areas.

Ms. MURRIN. Yes.

Mr. CUELLAR. We have got to make sure we don't. But anyway, thank you for the job that you all do. Thank you, Mr. Chairman.

Mr. BISHOP. Thank you, Mr. Cuellar.

Ms. Murrin, your office released a report last August that raised concerns about FDA's resolution of longstanding OIG recommendations and your report said that FDA has since tackled the backlog and now have fewer outstanding issues. Could you tell us whether or not you feel that FDA is now on a good path to address future recommendations on a timely basis? Is there anything you think the Subcommittee could do to ensure FDA's continued follow-up to your recommendations more promptly?

Ms. MURRIN. Yes, thank you very much for that question. I would certainly say that FDA has on a better path. What that report found was that in 2015 and 2016 FDA had actually not provided any information in terms of its actions on any of our audit recommendations.

Since that time, there has been improvement. In the last five years, OIG has issued 70 recommendations from either our audits or our evaluations. 31 of those recommendations have been implemented. 39 of them remain unimplemented or not completely implemented. Then there is another 11 that we had recommended before that that still remain unimplemented. So that is a total of 50 unimplemented recommendations.

I do believe that hearings like this where we are able to talk about what we particularly see as the most important issues and the most important outstanding recommendations can raise the priority for an agency and inspire progress.

Mr. BISHOP. Thank you. We would certainly welcome any suggestions on your part for what we can do. You released an audit of the FDA food safety recalls in September of 2017.

Ms. MURRIN. Yes.

Mr. BISHOP. Which was another depressing report to read. You found that the FDA could not always ensure that firms initiated the recalls promptly, and some customers became ill, and others were at risk of illness, and some cases of death.

You found that the FDA relies primarily on voluntary recalls which makes the timeliness largely dependent on the firm's willingness to take action, and you found that the recalls were not always initiated promptly because FDA does not have adequate procedures to ensure that firms take prompt and effective action in initiating voluntary food recalls, and you found that FDA didn't always evaluate the health hazards in a timely manner.

What is the FDA doing to better respond to your recommendations about strengthening their recall program and what challenges remain?

Ms. MURRIN. Thank you very much for that question. This is an area where we have seen great progress on the part of FDA. FDA has implemented our recommendations as regards in improving their procedures. They have set process timelines for when they will have made decisions about a recall. They have improved their regulations in that area.

What they have not done, sir, that we would really very much like to see them do is they haven't put into their database information that would allow them to track the time from when they first learn about a problem to when the recall actually happens, and that is the most critical piece of information, and we think that they have to be able both to plan for success and to test their success.

Mr. BISHOP. Thank you very much. Your 2017 report on the domestic food safety inspections is also hard reading. You said that FDA wasted inspectors' time going to the sources who are out of business or not operating, that they found serious violations—when they found serious violations that they didn't always take action immediately to remedy the problem, that they failed to conduct timely follow-up inspections; in half of the cases, they took no action within a year in 17 percent of cases and it never did a follow-up inspection. So what is your review of what FDA promised to do address your filings, and do you plan to go back and check what they did, and can you walk us through audits that you expect to release this fiscal year?

Ms. MURRIN. Yes. On this topic, we just did the follow-up because we had done a 2010 report on inspections that had found these problems and that had made a series of recommendations.

We went back out in 2017 and came back even more strongly advocating for our recommendations that we have been talking about here today that if there is a significant violation found there needs to be a follow-up action, there needs to be regulatory action on the part of FDA, official action, and then there needs to be a follow-up review.

Also, we have been recommending a civil monetary penalty, that is actually our oldest outstanding recommendation, that if FDA had the ability to do that, that that might help motivate facilities to fix problems quickly.

Mr. BISHOP. You are the OIG. Do you feel that they have the authority, or do we need to give them authority from Congress? Do they have existing authority to ensure the end of that oversight in terms of health, safety, and welfare?

Ms. MURRIN. Sir, they have the existing authority certainly to follow through on every single violation, and to do the follow-up review to make sure that action has happened.

Mr. BISHOP. Does that include——

Ms. MURRIN. The civil monetary penalty, they do not have, and that would take a legislative change.

Mr. BISHOP. Thank you very much. Mr. Fortenberry.

Mr. FORTENBERRY. Ms. Murrin, you said that this hearing is very important to you——

Ms. MURRIN. Yes.

Mr. FORTENBERRY [continuing]. In terms of setting priorities. I'm going to go back to the first question, and I asked you two ques-

tions. One is given the huge amount of dependence we have on overseas supplies of drugs and drug ingredients, the mechanism by which we ensure that those drugs are safe is deficient. That is what I hear you saying.

Ms. MURRIN. I said that we are currently studying.

Mr. FORTENBERRY. That is the first question. How is that to be improved? The second question is why the imbalance? What are the incentives in our system that have compelled these corporations to move those product productions overseas?

And you said, "We are going to get back to you on that." So how is that going to happen? I met your fine staff here, and there's a lot of notes being taken. So give me how you are going to do that and what timeline.

Ms. MURRIN. We will respond to you within two weeks with our plan of action.

Mr. FORTENBERRY. Okay, great. And I want to—I don't want to put the Chairman on the spot, but I think we are in alignment in this regard. Is that fair, Mr. Chairman?

Mr. BISHOP. That is.

Mr. FORTENBERRY. That we can say that this is a priority of the committee?

Ms. MURRIN. Yes.

Mr. FORTENBERRY. Thank you. So that's important to me. I want to turn though to—it is important to all, not me. It is important. We have a moment here. I can't emphasize it enough. There is clarity around just how big a problem this is because of the coronavirus outbreak. We've known it is a problem for a long time, yet we are passive in light of it until there is some emergency.

We're in the emergency room. 911. Help us answer this question now.

Ms. MURRIN. Yes, sir. We very much would like to take advantage of opportunities to solve problems.

Mr. FORTENBERRY. Thank you. Let me ask you another question diverting topics for a moment. I want to talk about the disease called ALS, sometimes known as Lou Gehrig's disease.

It's that plus many other degenerative diseases, there is no cure. However, in the case of ALS there is a treatment showing some promise on the horizon. Last year I introduced a bill called ALS Placebo No More. We all agreed, or many of us agreed, on a bill called Right to Try a little while back. We thought we'd solved the problem for the sickest Americans who are willing to go into experimental treatment assuming that full liability themselves. But it doesn't solve a problem for everyone.

So since your agency does extensive audit work over the National Institutes of Health and the Food and Drug Administration, would you be willing to work on an assessment of how these two agencies can improve their work on clinical trials?

Ms. MURRIN. If funding is available within the priorities that are set, we would be delighted to do that.

Mr. FORTENBERRY. Okay. So you have resource constraints. This isn't a question you've looked at before I assume?

Ms. MURRIN. That is correct.

Mr. FORTENBERRY. Well, here is a deeper, related question. If you could provide a review across FDA centers to determine whether

drug treatments within clinical trials are continued for patients showing benefits, that would be most helpful.

That would also be consistent with the spirit of the Right to Try law that we passed earlier which has some inhibiting factors built into it, sadly. Gave a lot of us a head fake unfortunately and gave false hope to many people.

A degenerative disease like ALS where there is a treatment on the horizon and a clinical trial, it basically excluded certain people for non-good scientific reason. There is a problem here. We have raised this with the FDA. There is some admission that, yeah, we need to change the procedures here.

If there could be work across NIH and FDA to ensure that these two agencies can work together to improve the clinical trial process, it would bring hope in a manner that is consistent. We can't promise anything. But it would bring hope to our structural approach to how we move drugs onto the market quicker or give people exceptional opportunities when they basically have no other option.

A little bit beyond your purview, I get this, and you did a fine job of segueing to help me by giving me more funds. I heard what you said, okay? But again, this is important because there is suffering. There are certain structural opportunities for change, if you well, let's put it that way, that we think could alleviate the suffering and bring treatment options to people quicker.

Ms. MURRIN. Thank you. Mr. Fortenberry, every year the OIG shares with this subcommittee its strategic plan for FDA, and we actually also produce a strategic plan for NIH. We would be happy to share those particular—the FDA one and——

Mr. FORTENBERRY. I'm skimming the surface here. We can actually provide you some of the insights we have gained, some research in this regard to help you prioritize.

Ms. MURRIN. That's exactly what I was hoping to say that we could use the process of producing that document to make sure we're——

Mr. FORTENBERRY. This is really important for a lot of people suffering. So thank you very much.

Ms. MURRIN. Yes, thank you.

Mr. BISHOP. Mr. Aderholt.

Mr. ADERHOLT. I want to ask a little bit about oversight in dealing with tobacco use and opioid. Can you update us on the FDA's retail compliance inspections and the availability of tobacco products to youth and children?

Ms. MURRIN. I am going to be in an excellent position to be able to do that, sir, in some amount of time. We have actually just begun a review of FDA's retail inspections that is going to look at where those are happening. It will look at all the different retail establishments of any type that are providing any type of tobacco product.

And we will be able to give you better information about the sort of areas where those are happening, if there are any areas where, you know, they clustered around schools, are they not going around schools. We will have infinitely better information to provide you with that in a year.

Mr. ADERHOLT. When? In a year?

Ms. MURRIN. Yes, I would think—we may have some of it early.

Mr. ADERHOLT. Initial information?

Ms. MURRIN. Initial information earlier than that. But that is an area of profound concern to us and that is our very next study that we have actually just started.

Mr. ADERHOLT. Have you assessed or taken action on online sales?

Ms. MURRIN. That will be part of this consideration. These FDA inspections happen both for any type of retail situation, so that would include an online store.

Mr. ADERHOLT. That would—okay. I think it is important that we don't let mismanagement of opioids result in the unavailability to patients that really need pain control especially on a short-term basis, oh, after they've had some kind of medical procedure.

What would be your opinion of a voluntary or mandatory rule about which prescribers can only prescribe, say six, opioid pills to a patient and that any refill has to be signed off by a prescribing doctor?

Ms. MURRIN. A level of medical knowledge would be needed to speak at that specifically, and I don't think that that would be appropriate for me.

Mr. ADERHOLT. When you have to say six, yeah.

Ms. MURRIN. Yeah.

Mr. ADERHOLT. What about some limited amount?

Ms. MURRIN. I believe that that happens now.

Mr. ADERHOLT. Do you know how that works?

Ms. MURRIN. Not through our studies. I do not have that information here. But we have done a full range of work on opioids and we would be very happy to arrange for a briefing on everything that we've done.

Mr. ADERHOLT. Have you identified any areas where FDA did not properly hold manufacturers accountable for mitigating the risks of opioid use and abuse?

Ms. MURRIN. We are about I think within the next month to six weeks about to issue a report that will touch on that subject. It will look at how FDA has used—and I'm sorry I don't remember what REMS stands for—one of its programs for monitoring drugs and their impact out in the real world and how they've been using that or not using that in terms of the opioid crisis. But we expect that report to come out final in another month.

Mr. ADERHOLT. On a somewhat related issue, tomorrow the House is going to consider a piece of legislation that is going to prohibit remote retail sales of tobacco products. What is your opinion as to how reasonable it is to make it illegal for adults to purchase tobacco online when alcohol can be purchased that way?

Ms. MURRIN. I would say that that's a policy call that the OIG would not have a position on.

Mr. ADERHOLT. Okay. Thank you, Mr. Chairman.

Mr. BISHOP. Thank you, Mr. Aderholt. Ms. Murrin, I think we have about exhausted our questions for you today and we want to thank you very much for being here. Along with what we have discussed, we will also forward you some additional questions for the record, and we'll appreciate your diligence in getting your responses to us by the deadline set by the committee. And of course,

Mr. Fortenberry has indicated a request that you promised to get us within two weeks, and we look forward to receiving that.

Thank you so very much for your testimony. We look forward to working with you as you continue the fiscal year 2020/21 appropriations process. With that, the committee is adjourned.

TUESDAY, MARCH 3, 2020.

MEMBERS' DAY

Mr. BISHOP. The subcommittee will come to order. Good morning. And today, we would like to welcome our colleagues on both sides of the aisle to give testimony before the subcommittee on the agencies that are under our jurisdiction. This is a tremendous opportunity for us to listen to a diverse group of members from across the country to share their views on a wide spectrum of issues related to our bill.

We look forward to hearing your thoughts today on the appropriations process and learning more about the programs and the issues that affect your district and your constituents. Your input is invaluable as we draft the funding legislation for the upcoming fiscal year for USDA and FDA and Commodity Futures Trading Commission as well as the Farm Credit Administration.

Before we begin, I would like to remind everyone that we have several members testifying today, so we would like to strictly adhere to the five-minute rule so that we can remain on schedule. I would like to thank every member who has taken time out of their schedules to speak to us today or to submit a written request or written testimony, and we appreciate your interest in the work of the subcommittee. And at this time, I would like to recognize the ranking member, Mr. Fortenberry, for any opening remarks that he would like to make.

Mr. FORTENBERRY. Thank you, Mr. Chairman, and thank you for calling this important hearing. It is an important reminder that we represent Americans. And in order to do our job well, we need to hear—those of us who have been put in these extraordinary positions of leadership over various aspects of the government, we need to hear directly from the representatives of the people.

Particularly in the ag sector, we do a tremendous amount of good creating the stabilization policies that allow America to have the lowest grocery prices in the world and that protect people with food insecurity. So this is a very, very important space. So I will look forward to hearing our members—from our members today how we can potentially improve, become more effective or change if necessary. So thank you, Mr. Chairman, for calling the hearing.

Mr. BISHOP. Thank you. With that, we will like to welcome our members. First on the agenda is Mr. Scott Perry from Pennsylvania.

The floor is yours, Mr. Perry.

TUESDAY, MARCH 3, 2020.

WITNESS

HON. SCOTT PERRY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. PERRY. Well, thank you very kindly, sir. Gentlemen, staff, I appreciate the opportunity to present my views and priorities for the fiscal year 2021 Agricultural Appropriations Bill. The USDA Sugar Program disproportionately harms the employment opportunity and wages available to constituents across the district I represent while imposing higher consumer costs on all Americans.

To alleviate this harm, I request the subcommittee prohibit USDA from using funds for the following purposes: providing price support loans for raw cane sugar or refined beet sugar, establishing an overall allotment quantity for sugar and purchasing sugar for the purpose of the Feedstock Flexibility Program. Collectively, these programs would remove three of the four pillars of the U.S. Sugar Program, greatly reducing the negative economic impacts of this program—bless you—and improving the freedom of all Americans.

The current U.S. Sugar Program represents an anti-free market scheme that imposes a massive hidden tax on both American businesses and consumers for the benefit of a small concentrated group of special interests. These Soviet-style policies impose significant, unnecessary costs on the domestic food manufacturing industry and the consumer.

In aggregate, the results of the U.S. Sugar Program are devastating to the economy. According to the American Enterprise Institute, these policies have imposed a 2.4 to $4 billion worth of losses to consumers and sugar users across the nation. Domestic sugar-using industries, like those in the district I represent, are particularly sensitive to these market distortions, as the cost of their main input is more than double the global price of sugar.

These industries provide jobs to more than 600,000 Americans, including 40,000 Pennsylvanians. Unfortunately, the exorbitantly high cost of sugar creates a disincentive for these companies to continue to manufacture here in America, resulting in three food manufacturing jobs lost for every single one sugar-producing job saved. As a result of these programs' impacts, the Sugar Program resulted in the loss of 123,000 jobs over the past two decades.

Moreover, the government imposed high operating cost of this—of these industries prevent the creation of 17,000 to 20,000 new jobs each year. It should not be controversial to end this socialist program that imposes significant harm on the workers and consumers of our country alike. It is un-American and unjust to take tax dollars from the constituents I represent and then spend them attacking our very own economy. And for this I thank you for your consideration and stand for your questions.

Mr. BISHOP. Thank you very much, Mr. Perry. I have no questions.

Do you have any questions?

Thank you very much for your testimony.

At this point, we are happy to represent Representative Jenniffer González-Colón from the Commonwealth of Puerto Rico.

TUESDAY, MARCH 3, 2020.

WITNESS

HON. JENNIFFER GONZÁLEZ-COLÓN, A DELEGATE IN CONGRESS FROM THE TERRITORY OF PUERTO RICO

Miss GONZÁLEZ-COLÓN. Thank you, Mr. Chairman, and thank you, Ranking Member, for allowing me to come here today to speak about—on behalf of the people of Puerto Rico. Today I will only focus on one of the main priorities. And that is on increasing the funding for the Nutritional Assistance Program for Puerto Rico. As you are aware, Puerto Rico does not participate in the National Supplemental Nutrition Assistance Program or SNAP. Instead, Puerto Rico has a Nutritional Assistance Program or NAP, which is capped-block-grant funded every year.

This automatically put us in a disadvantage because we do not have a program that can expand or contract depending on need or demand. Consequently, I have constituents that live below poverty levels but cannot benefit from the program because of the strict income restrictions that need to be put in place to meet funding gaps.

During my tenure as representative in Puerto Rico in Congress, the island has two—had—has had two consecutive hurricanes, Irma and Maria, which caused widespread destruction. Additionally, the southwestern region of the island has been—experience ongoing seismic activity since December 2019. These three disasters did not create the challenges with NAP. However, they exacerbated these challenge and have highlighted how unsuitable and restrictive the program island—the program is and confirm the need to strengthen the program through a robust funding. The Administration request for fiscal year 2021 is $1.9 billion. Although I do appreciate this increase from the enacted level for the Fiscal Year 2020, we need additional assistance to properly serve NAP beneficiaries and meet the goal of increasing security in the island for over 1.3 million participants.

Therefore, I will be requesting an increase in the block grant for Fiscal Year 2021 that is needed for the island. This will help us increase benefit levels which are drastically below the national average under SNAP and improve program participation to help my constituents access the nutritional assistance they need and deserve.

SNAP beneficiaries in the United States, continental United States, Guam, and the U.S. Virgin Islands receive close to 50 percent more in benefits per household than their counterparts in NAP. To give you just an example about this, a household of one in the neighboring U.S. Virgin Islands receive approximately $250 per month. In Puerto Rico, a household of one is eligible for a maximum of approximately $112 per month.

Similarly, a household of two in the continental United States is eligible for approximately $357 per month. A household of the same size in Puerto Rico is eligible just for a maximum of $216 per

month. Increasing the block grant will increase our ability to mitigate the disparity until we reach the ultimate goal of transitioning to SNAP. And that was something—a study that was approved during the last Congress. I want to thank you and thank all the members of the committee and the subcommittee for their hard work and have—they have provided to Puerto Rico through the Supplemental Disaster Appropriation for NAP.

Still, I would like to stress that not addressing the immediate underlying program, which is significantly—significant funding deficiencies at the base program level will continue to be an obstacle to achieve nutrition security for the people of Puerto Rico. That is the reason I came here today. With that, I yield back.

Mr. BISHOP. Thank you very much, Representative González-Colón. You should know that the subcommittee is very, very concerned about the disparities that exist with the nutrition programs for Puerto Rico. And we are really trying to develop a path toward regularizing or at least making the relief available and the programs available to Puerto Rico the same as the programs for the other territories and the states.

It is going to be a task, but I think it is the right thing for us to do. I haven't discussed it with Mr. Fortenberry, but I feel very strongly, and there are other members of the full committee that feel equally as strong that we must do something to equalize the disparities that Puerto Rico residents and citizens face.

Puerto Rico citizens are just that. They are citizens, and they should not be discriminated against with regard to the resources that are available to every other American. And we need to get on the path to making that happen. And so I appreciate your testimony. We appreciate the urgency of the moment for the immediate problems with the tremors as well as with the responses to the previous natural disasters that have occurred. But we look forward to working with you and others to try to—to make sure that we can resolve this disparity.

Miss GONZÁLEZ-COLÓN. Thank you, Chairman. I just want to add something. One of the main differences is, as we are part of the NAP program and not the SNAP, every time there is a disaster, we need to come here to Congress to achieve the difference. If we were in the SNAP program, we will never be here.

Mr. BISHOP. I understand, and I agree with you 100 percent. And of course hopefully we can get the other members of Congress and the other body across the hall to join us and the Administration in trying to right this long-term wrong.

Mr. Fortenberry.

Mr. FORTENBERRY. Thank you, Mr. Chairman. We actually like you being here. I do wish it was under less adverse circumstances because the island has been traumatized by natural disasters. And I would say, for my colleagues, Miss González-Colón has done a tremendous job of informing the Congress, representing the people of Puerto Rico, gently yet persuasively trying to make various cases as to how to better integrate Puerto Rico into given programs and also, on the other side of the ledger, speaking to the reality of how much Puerto Rico contributes to the well-being of the overall United States through, obviously, economics but also military service and a variety of other impacts that, again, demand full and fair

consideration of these questions that you raise. So I want to thank you for your leadership.

Miss GONZÁLEZ-COLÓN. Thank you, sir.

Mr. BISHOP. The subcommittee will stand in recess momentarily as we await the arrival of Mr. Hagedorn. He is minutes away.

[Recess.]

Mr. BISHOP. The committee will now come to order. We welcome Mr. Hagedorn.

The REPORTER. Can we turn on, please, Mr. Chairman?

Mr. BISHOP. I understand we——

The REPORTER. Mr. Chairman?

Mr. BISHOP. If there is anything——

The REPORTER. Microphone.

Mr. BISHOP [continuing]. You would like to share with the committee pertaining——

The REPORTER. Microphone, please.

Mr. BISHOP [continuing]. To 2021 appropriations process?

TUESDAY, MARCH 3, 2020.

WITNESS

HON. JIM HAGEDORN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. HAGEDORN. Mr. Chairman, Ranking Member, thank you for the opportunity. Pleasure to be with you. I represent the First District of Minnesota, some of the finest farmers and agribusinesses in all the country. And, you know, pretty much what we do with our sustainable ag practices, livestock farming and business—you know, rural business lending, it is—it sustains our rural way of life. And so we are here today to advocate on about four things.

The first is I would like to ask the committee to consider a modest increase of $3 million for the USDA's Center for Veterinary Biologics. Now, the CVB is the regulatory body for veterinary biologic manufacturers that contributes over $500 billion worth of economic output. And in response to the 2015 bird flu outbreak which cost poultry industry $1.6 billion, you know, the CBD—CVB—boy, I am having a tough time with that—has shown the ability to do more with less.

And when you think of what is going on now with the African swine fever and the potential that that has to come in and harm our not just pork industry but our corn farmers, our soybean farmers, packers, everybody down the line, we need all hands on deck. And this is certainly an area where for just, you know, a few million dollars more, I think we can beef that up and protect our food supply and our farmers. Second is in the alfalfa industry. I would like to encourage you to consider the Administration's $5 million request to be granted for alfalfa seed and alfalfa forage systems research program which improves yields, water conservation and other research into the potential advance for alfalfa seed and alfalfa forage industry.

Alfalfa contributes more than $9 billion, if you can believe it, per year to the nation's farm economy. It is an economic engine in rural communities. And as we look to feed, fuel, and clothe the

growing world, investments and improved soil health, water usage and biodiversity are key to a profitable and sustainable agriculture industry.

Next is the Oat Research Program, and I would like you to consider the $2.5 million increase for the Agricultural Research Service in oat plant breeding and disease resistance. Oats are an essential and heart-healthy grain for both human consumption and animal feed and also valuable and in a number of areas. So I want to move to the last point, which is a key one for our district. And that has to do with the hundred million dollars that the Administration is proposing for—to promote domestic ethanol and biodiesel infrastructure and consumption.

Now, recently, we have been working together in bipartisan fashion in the Agriculture Committee and elsewhere to end what is known as the small refinery waivers which have undermined the ethanol program especially. And the President of the United States himself has come out and said that his policy is to blend 15 billion gallons of ethanol and 2.4 billion gallons of biodiesel. And, you know, there was a regulation that came out of EPA. We are a little uncomfortable with it.

Many of us, again, in bipartisan fashion, have sent letters down to EPA and said, "We are going to hold your feet to the fire to make sure that this program, the Renewable Fuel Standard, is administered the way Congress intended and the way the President has directed." And so what we are talking about here is $100 million to promote that at the gas station. So this program will encourage gas stations to invest in biodiesel and ethanol infrastructure by sharing costs related to and offering sales incentives for the installation of fuel pumps, equipment, and infrastructure. And I look forward to working with you and all our fellow members in Congress to make sure that that is fully funded.

So with that, I really appreciate the subcommittee's time and your consideration of these measures. They will go a long way into making sure that we protect the food supply, our agribusinesses, our farmers and our way of life in not just Southern Minnesota but all across the United States. So with that, I will yield back my time unless you have any questions.

Mr. BISHOP. Thank you very much, Mr. Hagedorn. I don't have any questions. I appreciate your taking the time to come and sharing with us. You have some very valid concerns, and we certainly will do our best to try to assist in any way that we can subject to the limitations of our available resources.

Mr. HAGEDORN. Well, again, thank you for your time. Appreciate your consideration.

Mr. BISHOP. Mr. Fortenberry.

Mr. FORTENBERRY. Yeah, just right quick, Mr. Chairman, I appreciate the gentleman raising the issue of the small refinery waiver dynamic. I have been a part of that effort to try to make sure that our perspective on this is properly socialized. It is a bipartisan effort to make sure that, again, ethanol and other biofuels as well, but particularly ethanol, are fully integrated into our fuel system.

We forget where all of this came from. In an earlier energy package, there was a pollutant additive to gasoline. Ethanol was on the verge of a breakout moment. There were some public policies put

in place that allowed it for environmental considerations to be integrated into our primary fuel source in the country for transportation. In addition to that, of course ethanol creates another type of market for our farmers. And those of us who have an alignment of both inputs and outputs use the byproducts from it to actually put it back into the food stream through cattle production. So this is a real winner for America, but we don't often tell that story. So I appreciate you raising the issue. It is about sound environment, new markets for our food products and a regeneration of natural resource itself. So that is very important. Secondly, I did want to ask you a quick question. Is the Alfalfa Program a consortium of universities? Do you know is it embedded in a particular place?

Mr. HAGEDORN. I am not that familiar with your question. I am sorry. We will get back to you on that.

Mr. FORTENBERRY. That is fine. We will——

Mr. HAGEDORN. Follow up.

Mr. FORTENBERRY. We will find out. Thank you.

Mr. HAGEDORN. Follow up. Thank you.

Mr. BISHOP. Thank you very much. With that, the subcommittee will stand in recess subject to call of the chair.

[Recess.]

Mr. BISHOP. The subcommittee will now come to order, and we would like to welcome Dr. Schrier. We would appreciate anything you would like to share with us pertaining to our 2021 appropriations process, and the floor is yours, Ms. Schrier.

TUESDAY, MARCH 3, 2020.

WITNESS

HON. KIMBERLY SCHRIER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Ms. SCHRIER. Thank you, Chairman Bishop, and thank you, Ranking Member Fortenberry. I am here today to discuss a few issues of great importance to me regarding agriculture and specifically funding to study the impacts on the link between atmospheric CO_2 and nutritional values of crops, WIC, agricultural research, maintaining a fix to the specialty crop research initiative, School Kitchen Equipment Grants, and ensuring school lunch transparency about nutrition. I do not have time to go into all of these. So I will pick a couple. The first is about——

Mr. BISHOP. We will definitely put your testimony in the record, your full testimony.

Ms. SCHRIER. Thank you.

Mr. BISHOP. And we appreciate your interest and your involvement.

Ms. SCHRIER. So the first is about atmospheric carbon dioxide and nutritional value. In the coming weeks, I will be introducing legislation to dedicate research funding to study the link between CO_2 and food crops. The concentration of carbon dioxide in the atmosphere has been increasing steeply. And one of the most significant impacts of rising carbon dioxide in the atmosphere is on food security.

The interactions between rising CO_2 and food crops will have societal and economic consequences, including especially consequences for vulnerable and low-income populations. To date, most of the research on this topic has studied the impact on plant yields. However, preliminary studies indicate other serious potential consequences such as declines in key nutrients, protein, and minerals. When plants, including crops like wheat and rice, absorb more carbon dioxide, they increase the synthesis of carbohydrate and decrease concentrations of protein and nutrients like iron and zinc, which are critical to human health.

As a pediatrician, I understand that people with iron deficiency can face a range of symptoms, including iron deficiency anemia. Zinc deficiency, which impacts about a billion people worldwide already, is associated with rashes, GI symptoms, and failure to thrive. And folate is critical for pregnant women especially because their babies, if they don't get enough folate, can be born with neural tube defects.

And so as CO_2 concentrations rise, globally, this will have a tremendous impact on human health. My bill creates a pilot grant program under NIFA that will fund research to study the impact of CO_2 in the atmosphere on nutritional value of food and then the implications for human and animal health.

I would also like to briefly touch on SCRI, the Specialty Crop Research Initiative. This funds research to address the critical needs of the specialty crop industry. It supports a lot of the crops of the 300 crops in Washington State. Past funding projects have supported efforts to combat fungicide resistance in wine grapes, precision irrigation for fruit growers, and pest prevention in onions and other crops. And I have worked hard to make sure that specialty crop researchers have access to the resources they need and was happy that there was a fix included in the 2020 Omnibus Appropriations Act.

And until we have a permanent fix, I would just ask that that language restoring the waiver authority be included in annual appropriations. Next, cherries and research funding for little cherry disease. In Washington State, apples and cherries are among our top 14 exports. Protecting and strengthening the tree fruit industry is vital to our economy. And this past cherry season, it became apparent that Pacific Northwest cherry growers are facing a substantial threat from something called little cherry disease, a condition caused by three viruses that can either be transmitted from insects or through root systems.

And so once it is detected, the only option is to remove the tree entirely. And it can, of course, spread through orchards. Little cherry disease has reached epidemic proportions in Washington State, and growers are scrambling to obtain new tools to improve detection and control the spread. So several of the requests noted in this letter are for research positions or grant programs that could provide valuable resources to leverage industry efforts related to LCD. And I encourage the committee to increase ARS salaries, make sure we have abundant resources for research, and I will submit the remainder of my concerns by paper. Thank you so much to the committee for the opportunity to testify today on a few issues that

are critically important to the state of Washington. Thank you so much.

Mr. BISHOP. Thank you very much, Dr. Schrier. Your concern are very well taken, and I think the—as—coming from a state that has a significant number of specialty crops and the need for research is very much there. I just wish we had more resources to apply to ag research because ag research is the reason why we are able to produce the highest quality, the safest, and most abundant and most economical food and fiber anywhere in the world.

So I appreciate that very much, and I think the WIC program, the SNAP program, the Equipment Lunch Grants, and the school lunch transparency, all of those are issues that are vitally important to the subcommittee and to the full Appropriations Committee.

And I thank you for bringing to our attention, and we will do our very best to try to see that your requests are honored.

Ms. SCHRIER. Thank you for your consideration. Have a good day.

Mr. BISHOP. Mr. Fortenberry.

Mr. FORTENBERRY. Don't leave, Doctor. I have something to say. Thank you for your testimony. I think—in the specifics that you provided, I think the overall vision that you are talking about is what I call an ecosystem of well-being. Food is tied to health, agriculture, and diversification of agriculture and healthy food is inextricably tied to community well-being.

The small cherry disease was something that I am not familiar with. We don't have an abundance of cherry production in Nebraska. But, again, as I said earlier, hearing from members helps appropriately socialize us as to the very—various distinctions that people have around the country in terms of their capacity and specialization. So hearing about that one particularly is helpful. So thank you very much.

Ms. SCHRIER. Thank you. Yeah. The cost later for a lot of spina bifida could be high so thank you very much.

Mr. FORTENBERRY. Yeah.

Mr. BISHOP. The subcommittee will stand in recess subject to the call of the chair as we wait for Mr. Davis. We have been running ahead of schedule today. We have had several members who were not able to attend because of today being a primary day in their respective states and so some of the members had to cancel their appearances. And so we have moved ahead of schedule.

But we await the arrival of Mr. Davis and stand in recess.

[Recess.]

Mr. BISHOP.

The subcommittee is now called to order. We are happy to welcome Mr. Rodney Davis from Illinois to let us hear from him with respect to our 2021 Appropriations Bill.

Mr. Davis, you are recognized for five minutes for whatever comments you care to make, and we will certainly take your testimony and make it a part of the record.

TUESDAY, MARCH 3, 2020.

WITNESS

HON. RODNEY DAVIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. DAVIS. Well, Mr. Chairman, Mr. Ranking Member, thank you both for allowing me the opportunity to testify. I apologize for a little delinquency in getting here. I seem to have had a bleeding finger that would not stop. So I got that taken care of, and I am a little bit late, but I really appreciate the opportunity to testify before both of you today. I am here to speak in support of increased funding for agricultural research for the National Institute of Food and Agriculture's Agriculture and Food Research Initiatives, NIFA's AFRI program.

AFRI provides grants to research institutions of all types, including land-grant universities, public non-land grant universities, private colleges and universities, private research foundations and industry for the purpose of research education and extension programs. The goal of these grants is to help increase food production, enhance food production, safety and nutrition, mitigate the impacts of changing climates, improve rural economies, and train our next-generation workforce.

I have been a relentless advocate for this program alongside one of my good friends, Jimmy Panetta. Together, we worked to establish the Agriculture Research Caucus to raise awareness and garner support for research, development, and innovation in agriculture. We represent vastly different agricultural districts, but be both recognize that research for the specialty crops he represents and the row crops that I represent bolsters our ag economy, and that is a benefit to all of us.

The committee and the House as a whole has consistently signaled strong bipartisan support for agriculture research. Last year, we successfully increased appropriations by $45 million over fiscal year 2019 levels to 460 million for NIFA's AFRI program in our House-passed Fiscal Year 2020 bill. The enacted level for AFRI was 425 million for Fiscal Year 2020, a $10 million increase over the previous year.

Additionally, the 2018 Farm Bill established an important pilot program called the Agriculture Advanced Research and Development Authority, AGARDA, designed to solicit solutions to the challenges we face in ag through high-risk, high-reward research. This program is designed to target research areas that industry might not be able to address because of uncertainty or cost and bring to market solutions—bring to market some solutions that will increase production, sustainability, and competitiveness.

The return on investment and agricultural research is 20 to 60 percent. However, it accounts for just 2 percent of our federal research dollars. This important research improves the quality of our

daily lives, and we must invest more to prepare and innovate for the future and stay competitive in food and agriculture globally.

I respectfully request that the committee continue to prioritize and advocate for increased funding for NIFA's AFRI program in a final spending package and provide initial funding for the new and innovative approach to ag research, AGARDA. Thank you for your continued work, both to the chair and to the ranking member and to your Ag Approps team to support ag research. And I yield back the balance of my time.

Mr. BISHOP. Thank you very much, Mr. Davis. Let me assure you that the subcommittee agrees with you, the value of agriculture research. I continue to say that American agriculture is the best in the industrialized world, that we do continue to produce the highest quality, the safest, and most abundant and the most economical food and fiber anywhere in the industrialized world. And it is because of our superior research.

We had some misgivings about the reorganization of NIFA and ERS earlier in this Congress. But we continue to push for adequate funding for research and, of course, you are here advocating for that, and we fully support that. Our only challenge is being able to have the available resources allotted to our subcommittee in our allocation to be able to provide the necessary funding to achieve these objectives. So thank you very much for your request. Thank you for your testimony, and we certainly will do everything that we can to try to make sure that agriculture research is adequately funding to meet the needs of our country to keep our agriculture competitive globally.

Mr. FORTENBERRY. Chairman, can I make a comment?

Mr. BISHOP. You may. Recognize Mr. Fortenberry.

Mr. FORTENBERRY. Thank you, Mr. Chairman. I appreciate your comments as well as Representative Davis. I just left State and Foreign Operations. I am not the ranking member there, but I sit on the committee. And Mark Green, the administrator, United States Agency for International Development, is there. And the first question I asked started with a comment saying food security is foundational to stability and human flourishing.

And because we have been so extraordinarily successful in the United States due to basically three factors, the stewardship of our farmers and ranchers, credible resource capacity, as well as public policies that have underwritten stabilization, partly through research, partly through support programs as well as addressing those who have food insecurity problems has led, as the chairman said, to us being so extraordinarily productive, having the lowest food prices in the world and basically we look at our trade imbalances.

It would be so much worse if we didn't have agriculture with a huge contribution to exports. In addition to that, we export expertise. We export technology. We export the human capacity, the charity, if you will, to help other people struggling to build out their own systems for, again, human flourishing. So you rightly point out the role that research plays as, again, a foundational part of this piece. And we overlook it because we have been so good at it. So I want to thank you for coming today.

Mr. DAVIS. Thank you, Mr. Ranking Member. If you don't mind me, you know, kind of responding to what you said, I am glad the discussion in State and Foreign Ops was on food security because, as we know, the stable governing bodies in developing nations all will have a stable and great access to a food and fiber supply that Chairman Bishop talked about.

And the key to that process and us allowing to develop better foreign relations with developing nations is to export the ag research that we are able to invest in here in this country. And I look forward to working with you both. I thank you both for your consideration and also your leadership on this issue. Both of you have been leaders when it comes to ag research. And I look forward to working as a part of your team this year throughout the appropriations process.

Mr. BISHOP. Thank you very much, Mr. Davis. And at this time, I would like to thank all of the members again for testifying before our subcommittee today. We appreciate their coming out and taking time to talk to us about their projects and programs and the issues that are important to their constituents. The input will be vital as we move forward in the 2021 appropriations process. At this time, I will recognize Mr. Fortenberry for any comments that he would like to make before we close.

Mr. FORTENBERRY. No, Mr. Chairman, I think this was a productive conversation today. Appreciate your leadership.

Mr. BISHOP. Thank you very much, Mr. Fortenberry. For members who were not able to attend the hearing to testify in person, if you wish to submit written testimony, please do so by the end of the day today. The entire testimony will be included in the record. With that, the subcommittee is adjourned.

TUESDAY, MARCH 10, 2020.

UNITED STATES DEPARTMENT OF AGRICULTURE

WITNESS

HON. SONNY PERDUE, SECRETARY, UNITED STATES DEPARTMENT OF AGRICULTURE

Mr. BISHOP. The subcommittee will come to order.

Good morning, and welcome to today's hearing on the Department of Agriculture's fiscal year 2021 budget.

I am pleased to introduce our witness, Secretary Perdue. The Secretary and I have a decade-long relationship, and we share deep passions of our farming and our ranchers and our rural communities. And it has been a pleasure to work collaboratively with him over the last 3 years.

I also wanted to welcome Dr. Rob Johansson, USDA's Chief Economist, and Ms. Erica Navarro, the Budget Officer, to the hearing.

Thank you for coming today.

Over the past few years, natural disasters, trade uncertainty, and increasing levels of farm debt and bankruptcies have led to increasing stress and anxiety in the agriculture community. And I want to thank the Secretary and all of USDA's employees who have helped our farmers navigate these very, very difficult and tough times.

Despite the likelihood that these challenges will continue for some time, however, the administration has put forth a budget that appears to be grossly inadequate, as it has every year during its time in office.

This year USDA's budget request is $16.4 billion, which is a reduction of three and a half billion dollars, or 18 percent, in discretionary funding from the final fiscal year 2020 bill.

I continue to believe that many proposals in the budget are bad for our farmers, bad for our rural communities, bad for our vulnerable populations, and quite honestly, should be dead on arrival.

Any budget has a statement of values and priorities, and it has been clear for three years now that the administration wants to dismantle some critical programs. Fortunately, the Constitution gives Congress the power of the purse.

As in years past, we will not entertain the elimination of programs such as Food for Peace, McGovern-Dole, the Commodity Supplemental Food Program, some of EBT, and nearly all of the Rural Housing Loan and Grant Programs.

We will also not entertain many of the proposed policy changes, especially those which restrict SNAP benefits or overhaul crop insurance in our conservation programs.

I was disappointed but not entirely surprised to see the department is once again proposing a Harvest Box idea under which SNAP recipients would get part of their benefits this year as a box of food rather than through SNAP monetary benefits. Sadly, this mirrors actions on the administrative side.

When met with resistance during the 2018 farm bill debate on the Able-bodied Adults Without Dependents, broad-based categorical eligibility, and the standard utility and allowance proposals, the administration moved forward with executive rulemaking.

I worry that these rules disproportionately impact working families with children trying to climb out of poverty.

The U.S. Census Bureau reported that in 2017, SNAP lifted 3.4 million people, including one and a half million children out of poverty. The economy is still not working for everyone, and the administration should not make it worse by decimating one of the most effective safety net programs.

Now, Mr. Secretary, yesterday, ahead of your testimony, I know it was late, and I trust that you may have seen it. Congresswoman Rosa DeLauro and I sent a letter to you on the Department of Agriculture programs and urged you to take some decisive actions to ensure program access.

As you are very well aware, under the exigencies of the coronavirus, COVID–19, States and localities are beginning to employ social distancing strategies as a means of containing the virus. For some this has meant temporary school closures, and that jeopardizes access to school meals for students, including the nearly 22 million children who rely on free and reduced school lunches.

And while we applaud USDA's recent efforts to accommodate the schools in California and in Washington State, we believe that more can be done, such as waiving the congregate meal requirement for schools outside of area eligibility.

And we feel like the Department of Agriculture should immediately start working with the Department of Education, if you have not already, to provide States with the resources and the guidance to develop plans that will detail how students will receive access to child nutrition programs before a school shuts down.

Furthermore, with regard to SNAP, we would like to urge you to immediately suspend any department rulemaking that would reduce benefits or affect program eligibility. Enacting changes at this time would really exacerbate the current economic anxiety, and it would unnecessarily increase the burden on the very people who need and will need this assistance.

I believe that as considerations of a broader economic stimulus package progress, and there is discussion about that, that we need to consider expanding the SNAP benefit, which we believe will be a vital anti-recession tool just as it was included in the temporary benefit boost when we did the American Recovery and Reinvestment Act in 2009.

We look forward to hearing your comments on that, and of course, in the very near future getting some specifics as to how the department will work through these programs.

I am disappointed to see that rural broadband funding was cut in your budget by $350 million. It is a program with bipartisan and

bicameral support. As chairman, I have made rural development a priority.

We know that access to adequate broadband in a key ingredient for success, and yet too many communities feel left behind, unable to connect their businesses, their families, and their schools to the modern world.

In the coming weeks, several of the mission areas, including the farm production and conservation, rural development and food nutrition service are coming to testify about their specific requests. We will dive deeper into their specific requests, and I pledge to do my very best to work with you and our Ranking Member Fortenberry and our subcommittee to develop a bill that addresses the needs of all of those who depend on the USDA.

Mr. Secretary, I want to thank you for being with us today, and I look forward to today's discussion, and I certainly want to let you know that this subcommittee and this Congress wants you and the department and all of us to do right and feed everybody.

With that, I would like to note that our distinguished ranking member, Mr. Fortenberry, is unable to join us this morning. He contacted me yesterday and felt that it was appropriate for him to remain home for the time being, and he assured me that he would be well represented, and just like Hallmark, he cared enough to send the best. [Laughter.]

Mr. BISHOP. And at this time I would like to ask Mr. Aderholt, the former chairman of this subcommittee, for his opening remarks.

Mr. ADERHOLT. Thank you, Mr. Chairman.

And it is good to be here. I regret Ranking Member Fortenberry is not feeling well, but we wish him the best.

I am sorry I was a little bit late. I was actually in a briefing with former, and all of our friend, former FDA Commissioner Gottlieb who was giving a briefing on the topic of the day, the coronavirus, and so I was trying to get a little bit of an update from him. So I apologize for coming in late.

But I am glad to be here this morning and glad to be here with the Secretary, Ms. Navarro, and with Dr. Johansson. Thank you all for being here and thank you for the job that you are all doing at USDA.

You all know firsthand how important agriculture is to my State of Alabama where one in five jobs is related to agriculture or forestry, and agriculture is not only a part of our past and our present, but it will be very much part of our future. And I can say that for all Americans.

Before we dive into the budget request, I want to commend you, Secretary Perdue, for your leadership and achievements over the past 3 years. I was just thinking it is hard to believe it has been 3 years that you have been on the job.

I remember when you first started on the job, and it is amazing how time quickly flies, but due to your department's efforts across the vast responsibilities that you have at USDA and all of your employees have, you have touched the lives of hundreds of millions of people in the U.S. and abroad in one way or the other.

In particular, I want to express my appreciation for what you and your staff have done and we will continue to do on building infrastructure in rural economies across this Nation.

You, of course, traveled to the district that I represent last year, and I appreciate you taking time out of your schedule to travel to Northwest Alabama.

But your staff traveled to the district I represent at just the end of last year and awarded a loan and a grant as part of a first round of the Reconnect Program, and this funding will support actually 8,000 rural households. It will support 57 farms, 44 businesses, 17 educational facilities, 14 critical community facilities, and three healthcare facilities in rural Alabama.

As USDA rolls out the second and the third round of this loan and grant program totaling $1.7 billion, the department will help to close the digital divide between the rural and non-rural communities across the country.

I hope that we can continue to build upon this progress we have made today with high-speed broadband infrastructure, as well as other infrastructure needs, such as the installment or repairing of drinking water and wastewater systems in our rural communities.

On the matter of school nutrition, I do want to express my appreciation for your providing the flexibility. Just this morning I was meeting with one of my constituents, who is a school nutrition worker, and I asked her in particular about the flexibility, and she was very pleased with that, and that is coming from the grassroots, from someone who is in that on a day-by-day basis.

So your most recent actions are consistent with the language that we have included in the appropriation bills and reports, and as you likely know, the local school districts are on the front lines, as I mentioned to the lady I spoke to this morning, and they are making sure that our children get the healthy, get the wholesome meals they need, and that they reach out to many of us and ask for that flexibility.

And I am glad that we can work together and try to provide some flexibility because it is working, according to the people who are on the ground.

As it relates to the President's budget submission, I want to continue my support for the funding request that will provide greater customer service to farmers and ranchers that are actually in the field, whether that be technology information needs or requests for staff support and recovery jump teams to assist producers affected by disasters.

However, I do want to voice my concern over the major changes that are proposed to crop insurance and other safety net programs. Farmers continue to experience very challenging times in this day and age with decreasing crop prices and a number of natural disasters.

So your support for American farmers and ranchers is greatly appreciated. We look forward to working with you on this subcommittee as we try to look at a number of key funding decisions that are necessary to make sure that we have the strongest farm economy in the entire world.

So I thank you. It is good to be back here today and to have you here before our committee, as well as you, Dr. Johansson and Ms. Navarro. Thanks for being here.

And I yield back.

Mr. BISHOP. Thank you very much, Mr. Aderholt.

Secretary Perdue, without objection your entire written testimony will be included in the record, and I will recognize you now for your statement, and then we will proceed with questions.

Secretary PERDUE. Thank you, Chairman Bishop and Congressman Aderholt.

If Congressman Aderholt thinks 3 years travels fast, what does he think about 3 decades when our relationship began, Chairman, in the Georgia State senate? So 30 years passes pretty quickly as well.

But it is good to see you in this position, and we appreciate your service.

And I did receive your letter. It is not in my prepared remarks, but I look forward to addressing those issues in the question and answer period of time over the waivers that we have authority to do and a need that we may need some help in that regard.

You know, it may come as a surprise to the committee, but I actually sort of enjoy these kinds of hearings because as a true believer in the three branches of government, I think this is the way representative government should work.

You all have constituents that contact you all, and they expect answers, and we are the implementers of a policy you create through laws and bills, and it is appropriate for us to be held accountable for how we are doing our job.

So I look forward to the questions actually. I will confess now though having been a governor and created budgets for the general assembly, you do know that the executive branch sometimes eliminates things that they know that the legislative branch, the keepers of the purse, will fulfill.

And so I have been guilty of that myself, and I thought you were going to brag on us this year because I thought OMB and we had gotten a lot closer this year than we have in the last couple of years in that regard, but I know that there are some things of interest that we all will talk about today.

But I think we in the farm community are glad to have 2019 in the books, behind us in the rear view mirror. It was a tough year. We all know that, but I want to tell you that the safety nets that you all create generally through the farm bill and the ad hoc disaster programs have benefitted farmers and ranchers all across this country in a wonderful way, and they are very grateful for that in that way.

I think, again, just those standing disaster programs provided $690 million in assistance, and then you all provided another 4.5 for ad hoc disaster and WHIP-plus for 2018 and 2019 losses.

And then we had the Crop Insurance Indemnity Program, which brought us almost over $9 billion, and then the President, at his direction, on top of the $12 billion from 2018 in trade assistance, it was $16 billion in farmers unfairly harmed by the retaliatory tariffs in the way as well.

But in spite of that, as you all know, you know. You are in a farming district, Chairman, and you know that farmers are resilient, and even in spite of 2019 and hurricanes and all of those things, they are optimists, and I am grateful to them.

We have got a great story in agriculture to tell. They are the most resilient people that I have ever met, but as I said, we are glad 2019 is in the books, and it is going to give us 2020, which is here, a new decade, and a new reason for more optimism.

And we are optimistic. In our Ag. Outlook Forum, we talked about technologies and the things, an ag. innovation agenda that we look forward to. We do believe that new trade deals and strong consumer demand in the United States abroad are a signal for brighter days ahead once we get past this outbreak of coronavirus.

Speaking of trade, obviously the phase one agreement with China, the USMCA, Japan, the new deal with South Korea, in addition to many other specific commodity wins, and what Ambassador Lighthizer calls singles, smaller deals in other countries, all will benefit, I think, from a demand perspective going forward.

I think obviously the year round E15 for domestic production of conventional ethanol will help as well, and then last week you may be aware that we, as part of President Trump's key promise to promote biofuels, we announced again the Higher Blends Infrastructure Incentive Program. It is $100 million in grants to retailers to help provide more access to consumers.

We believe when consumers have access, they are going to make a smart choice with higher octane, better air quality, and lower price fuel.

So you mentioned rural development. That is an important part. We have been working across the sector in rural development, increased rural prosperity. I think, again, as was mentioned by Congressman Aderholt, these reconnect programs have been well received, as you know in Georgia and many other States.

We go and I think we had applications from 38 States in the first round. We utilized that appropriations you gave us in a leveraged kind of way to increase more than just the $600 million investment through 200 in grants, 200 in loan grant, and 200 in loans out there.

We optimized that 600 million into more than that from an investment standpoint in the broadband, which is absolutely truly transformative. When you go to homes and farmsteads with kids trying to do their homework and not even cell service to fiber to the home, it is just unbelievable the transformation that can take place in that family.

You talk about rural people and kids leaving the farm. This is going to help bright young people stay on the farm whether they are farming or jobs they can work for with connectivity in those farms. It will help to stop the brain drain in that way.

It was by our count on the appropriations that you gave us in the first round, it is going to change the lives of 431,000 rural Americans, and we have got a lot more to go. But we are beginning to tell the success story of American agriculture as well because we think it is a good one.

The miracle of American agriculture over the last 75, 100 years has been amazing in feeding this country and the world to a large degree for several generations.

I visited with Ms. Pingree earlier this morning about the ag. innovation agenda and her interest in some of those issues that will align with what we are talking about, best aligning our programs and research to provide farmers the tools they need to innovate and be successful in that way.

So the kind of specific goals, we talked about a scoreboard. We are going to measure these sorts of things to increase production by reducing environment footprint, production by 40 percent by cutting the footprint in half by 2050.

Those are good reach goals, but we think we can get there based on the technology that is available to us.

So as you know, our colleague and another member that we have three decades' experience was very instrumental in our HBCU 1890 scholarship, and we are delighted to have those moving along, and that is going to provide scholarships at HBCU universities out here and really prepare kids for a great education in these schools that will do better.

So this is one of the reasons we are excited about the future in that regard. So while it has been an anxious but productive year among that Nation's farmers, ranchers, and producers, I am obviously here today to present the administration's budget for the department, and we are proud of the new loan program, $79 million to fully support $8.9 billion demand for farm loans.

You mentioned there is more demand here. Working capital is down over a period of years, and with these loans it is estimated 35,000 farmers and ranchers will be helped. And I think that supports that foundational principle of access to wholesome and healthy foods.

The good news also, it includes funding to fully support over 8,700 food safety inspection personnel who will ensure the safety of meat and poultry and egg products at over 6,400 processing, slaughter, and import establishments there.

Two hundred million dollars to reduce trade barriers that disadvantage ag. exports, open new markets; $100 million for grants and incentives to promote domestic ethanol and biodiesel, as we indicated; and we did put $250 million in there for a fourth round of Reconnect.

I hope what we have demonstrated already that as we continue to use the $1.1 billion that you all have done in two tranches, applications are opening now. They will close March 16th, and we believe we will be oversubscribed again with these rounds as well, and we are going to get those out as quickly as possible.

We have got the foundation of the applications set up, and I think some of the flexibilities you all gave us in the census of where this underserved definition was will help us in going forward in that way.

Also the rural development will support billions of dollars for rural electric improvements, water, wastewater improvements, community facility loans, rural housing loans, and business and industry.

So in the face of the growing debt, I think the President has done his best to offer a fiscally responsible budget that does not try to kick this can down the road, but we need to get a handle on it, and we have got a budget that we can work with while we are executing fiscal constraint.

Again, Mr. Chairman, along with your help, we are going to continue to do our level best to do right and feed everyone, and I want to thank you for the opportunity to being here today, and I look forward to your questions in an honest and transparent way.

Mr. BISHOP. Thank you very much, Mr. Secretary.

And let me take this opportunity to thank you and all of the employees at USDA for the way that you have implemented the disaster relief package that the Congress passed, $3 billion for impacted communities that were affected by the natural disasters over the last couple of years, as well as the block grants.

And in behalf of all of the impacted communities in Georgia and the impacted States and territories, I just want to extend my heartfelt gratitude for your efforts in that regard.

Now I would kind of like to get to the issue of the day, which is the coronavirus, COVID–19. Let me just read for you briefly a statement that went out from the Food Research and Action Center to its membership regarding the COVID–19 challenges.

And I quote, "The COVID–19 virus that threatens negative impacts on public health and the American economy presents particular challenges for low income people. Social distancing strategies reduce the chances of human-to-human contact. They could entail families stockpiling food and other supplies, sick workers without paid leave directed to stay home, and schools closing for periods of time. Administrators and legislators should consider, one, adopting disaster SNAP and disaster provisions of other Federal nutrition programs to provide nutrition resources for low income consumers who lack resources to stockpile food and to make up for disrupted school meal service; and, two, suspending implementation of rules changes that weaken SNAP benefits and enrollment; and, three, increasing SNAP benefit amounts to bolster the programs' countercyclical impacts."

Now, obviously, we are all concerned about the ongoing coronavirus outbreak. Given how broadly USDA touches all Americans' lives, we want to make sure that you are prepared to respond to the outbreak and that you have adequate funding and legislative authority to take whatever steps that you deem necessary.

Can you let us know what USDA has been doing in response to the outbreak and whether you anticipate any need for additional funds or authorities?

And amid the outbreak, I am glad that USDA approved the waivers from Washington and California to ensure that children can still receive school meals even if the school is closed. But it does seem that school closures will continue to tick up.

Have any other States submitted similar waivers?

And are you considering issuing a nationwide waiver?

Secretary PERDUE. That is a good question, Mr. Chairman. I want to tell you this is a time we all need to pull together and put any kind of bipartisanship aside and do what we need to do for our

people. And I think that is your goal and that is my goal as well at USDA.

We did issue waivers both to the two States that you mentioned, as well as Alaska, but even more than that, what we told people, statutorily our legal counsel tells us that we have to be asked in that way.

What we have done because we have to be asked is we have sent the message to all of the States that they can preemptively assume a positive response once they ask and once the waiver request comes in.

Certainly when schools close it does not make sense to have to go to the waiver or the congregate feeding areas because that is the purpose of closing schools. So we are waiving the congregate feeding activity certainly in those low-income areas.

We do not believe we have the legal and statutory authority to do that in all areas of non-low income, and that is something we need to look at together. We are pretty sure we do not have to do that.

While we would love to do that, you know three years from now there would be an OIG report saying we violated the law, and you know how that goes.

So we are trying to do everything we can statutorily to do that. Back in the H1N1, you may remember. You were here. You may remember that you all authorized kind of P–SNAP, which was a pandemic SNAP. It was authorized for one year. I am not sure it was ever really funded or utilized, but that may be something you may want to consider as well that we look at here now.

Mr. BISHOP. Let us look at that together.

In my opening statement I noted how worried I am of the SNAP rules——

Secretary PERDUE. Right.

Mr. BISHOP [continuing]. Disproportionately impacting the working poor, and the Able-bodied Adults Without Dependents Rule is set to go into effect in three weeks, and it will take SNAP away from 700,000 people.

If those folks have to self-quarantine for 2 weeks, they will not meet the requirement of the 20 hours per week work, and they will be required to produce documents to be excused. That will be creating some pretty challenging administrative burdens.

So to go forward with the rule administratively, it seems like, especially at this time when we are talking about economic stimulus and relief, it seems particularly cruel.

Do you think it is a good idea to implement and to issue the final SNAP rules during this outbreak when so many people, especially the working poor, will need assistance?

Secretary PERDUE. Mr. Chairman, I think I have got some good news for that situation as well. There are longstanding SNAP regulations that call for good cause, and States have the discretion to determine good cause.

Obviously, if your job says you cannot come to work or you are sick in that way, that good cause would eliminate the need for work requirements under this rule. So that will be under the discretion of the States to determine that good cause.

It is already there, and we would not have to do anything different that way, other than those folks that are impacted by the coronavirus either through their jobs, their own health, would be fulfilling those work requirements.

Mr. BISHOP. Thank you, Mr. Secretary.

My time has expired. So I will at this time be happy to recognize Mr. Moolenaar for such questions as he might have.

Mr. MOOLENAAR. Thank you, Mr. Chairman.

And, Mr. Secretary, good to see you again, and thank you for coming to Michigan recently. We appreciated your visit and the work you are doing on some of the trade agreements and how that is opening up new markets for agriculture products.

I wondered if we could just take a step back a minute. I know you are kind of focused on the upcoming budget, but if you had to look at sort of the bigger picture funding needs for agriculture right in the short term as well as kind of the long-term priorities, are there things that are right at the top of your mind?

Secretary PERDUE. As I mentioned earlier in my opening remarks, I feel like you all have done a great job with the farm bill, additional loan eligibility, loan volume, and loan sizes there for farmers.

Many farmers that have never had to come to USDA, we see them now. You all have appropriated that. The farm safety net that you all created I thought demonstrated this year in 2019, with a lot of weather challenges, that it works, both crop insurance, both indemnities, both ad hoc disaster program, as well as the other safety nets in NRCS and FSA.

So I think from that perspective, one of the things we talked about is the Reconnect Program. I think that is a transformative type of thing in rural communities. We hope we have implemented that in a way that really would trust you all to allow us to continue and do even more as we go forward.

In combining, I know that the President's budget has more money in FCC. We think in these rural areas the difference that we are making is incredible.

So I think from that perspective, obviously, farmers have been mentioning another MFP payment. I am telling them that the MFP was not a price support payment. It was a trade retaliation issue, and if trade picks up, and right now China is doing those things that seem to be getting prepared, but coronavirus has those actual trade disruptions.

So if we see trade getting back and we do not see prices improving, that is an indication we have got a supply-demand equivalence issue.

Mr. MOOLENAAR. Okay. Thank you.

Just along the lines of trade, and you mentioned China and the phase one agreement there, and of course, we were excited about, you know, pork, soybeans, specialty crops like tart cherries, opportunities perhaps there, but for the coronavirus.

I wanted to specifically, and you and I talked briefly about the tart cherry situation with Turkey, and we appreciate you have been doing some help for our cherry growers, but is there more that can be done to assist in this area?

Secretary PERDUE. I think, again, your tart cherry people have been good customers of the Section 32 Program, as you may know, over a number of years, and we are continuing to purchase tart cherries to pass along to food banks and other poor that need it in that way.

Most of the challenge right now, I think, is coming from the Turkey imports, and there has been some investigation of whether that could really rise to the level of an anti-dumping situation that way.

Congress makes that determination. I think the industry would have to bring those allegations, and it would be investigated whether we could bring an action against Turkey for dumping over less than the cost, in that regard.

That seems to be where most of the pressure is on the tart cherry growers.

Mr. MOOLENAAR. And then the chairman had talked with you about coronavirus. One of the questions people have about the safety of our food supply, do we have any information to believe that the coronavirus can survive in our food supply or at least as it relates to meat and poultry plants?

Secretary PERDUE. I appreciate that question. Absolutely not. There is no evidence that it is a food-borne transmissible illness, such as Salmonella or E. coli, those sorts of things. It really depends just on safe hygiene. You do not want to be eating with someone that sneezes on your chicken and you eat it, but nonetheless, it is not a food-borne illness as we would think of.

Mr. MOOLENAAR. Okay. And then when Chairman Glen Smith of the Farm Credit Administration appeared before this subcommittee last month, he noted that the farm credit system evaluates whether the lending institutions are serving all eligible borrowers, including young, beginning, and small farmers.

What do you see as some of the greatest hurdles for a young or beginning farmer, and what can we do to assist?

Secretary PERDUE. I think there are two things you have already done. I think the CRP Program that was in the farm bill, this last one, helps young farmers.

There have been a lot of complaints about the riches of the program. People were using it as a retirement, taking land out of production where it was not available to young farmers.

What you all did there helps in that regard, and also the loan guaranty program that you do there, helping us to work with the farm credit system community banks in a guaranty basis. They provide the boots on the ground, traditional banking underwriting from knowing that customers, and the USDA through your appropriations provides the funding on a 90–10 basis.

And that is a great program. We expect to see more of those guaranteed loans moving forward. It is a great public-private partnership that works using the resources you appropriate and leveraging that amount through the private sector and them doing the underwriting.

Mr. MOOLENAAR. Thank you, Mr. Secretary.

Mr. Chairman, I yield back. Thank you.

Mr. BISHOP. Thank you, Mr. Moolenaar.

At this time I am pleased to recognize the gentlelady, Ms. Pingree.

Ms. PINGREE. Thank you very much, Mr. Chair.

And thank you, Mr. Secretary. I feel very privileged. I have been able to see you at the Agriculture Committee, meet with you in my office, and see you again here. It is kind of like All Secretary Perdue all the time. It is great.

And I love the opportunity to talk about these issues with you. So thank you and to your team for being with us today.

The first thing I would ask the chair, Representative McCollum was not able to be in the committee today, and she asked me to submit this question for the record.

Mr. BISHOP. Without objection, it is submitted.

Ms. PINGREE. I did not think you would object.

So just a little bit more. You have given us a lot of background on the coronavirus and school meals, and obviously you are hearing a lot about that because it is a big area of concern.

And I can tell that the department has been thinking that through. So I just want to follow up on a couple of questions.

I guess what you were saying earlier was on the waiver, you cannot sort of pre-agree to take in all the waivers. You have just said to people generally, "We are likely to approve it. Submit your request to us."

Secretary PERDUE. Yes. The way we understand the statute, we have to be asked. What we are saying there is if you ask, we are going to say yes on the waiver to congregate feeding. So that is the opportunity there.

We are essentially saying we just have to fulfill the statute by being asked, but the answer is yes.

Ms. PINGREE. And how many requests? I know you said there were three that you granted, which is great. Thank you for working on those, but how many requests do you have in right now?

Secretary PERDUE. I think we have some from Utah. They are kind of coming in as they go, and this, again, is a waiver for when schools are closed. The waiver is actually for a requirement when typically you have to have congregate feeding, which defeats the purpose of social distancing and the coronavirus. That is what we are actually waiving.

So we have done California, Washington, Alaska, and I think we have some requests in from Utah now. There may be more this morning. I have not checked.

Ms. PINGREE. Yes. I think Maine has either requested or is requesting, although we have been fortunate and have not had as much of a challenge yet.

Secretary PERDUE. Right, right.

Ms. PINGREE. I mean, one question I had was if there is a presidential declaration of an emergency, do you still have to go through the waiver request?

Secretary PERDUE. We do.

Ms. PINGREE. You do. And I guess another concern that you addressed briefly was on the districts that do not qualify 50 percent of free and reduced lunch. So you may have a district that overall is, you know, not meeting the target, but has pockets of schools.

Secretary PERDUE. That is right.

Ms. PINGREE. Do you need some authority from us? What were you saying on that?

Secretary PERDUE. Well, it would be helpful to have blanket authority, but what we are doing, like the summer feeding program, there is an open. In the low-income area, there is an open where everybody can come, and there are also closed systems where the groups know the students who are eligible to do that, and they come.

Take, for instance, in a non-low income, you have got some low-income students there. So they are eligible. They just have to come and identify themselves, and they have to be able to be fed as well.

In a low-income area, an open congregate area there where they come and pick up food, anyone can come in that area and do that.

Ms. PINGREE. Got it.

Secretary PERDUE. It is a little awkward for the low income and others, but that is the way the statute is. You know, if we had more flexibility, we could be more open in the others.

Ms. PINGREE. I am sure that you would receive all the support you wanted from this committee and others who are concerned about it.

You also mentioned the P–SNAP program, which has not apparently been used much. Are there barriers right now to that being implemented?

That seems like it was kind of tailor made for what we are going through now, and it has not come up.

Secretary PERDUE. It has expired. It would require a reauthorization. It expired. I think it was a year that way.

Ms. PINGREE. Got it. Okay.

You know, we are all kind of trying to think ahead about what has happened, what the challenges are, but what are you worried about at the USDA about the impacts of coronavirus and things that we may not be even considering yet?

Secretary PERDUE. Well, I think internally and externally we have over 100,000 people scattered around the country and others. We had some requests for teleworking in Seattle, which we granted. We had some in a Forest Service. It was 50 miles away with no outbreak, and we said just sit back and relax a little bit.

But we have issued guidance to our employees on the internal side about just, first of all, all of the basic kind of things of what to do.

We are refreshing, obviously, our pandemic plan. We are testing our systems over telecommuting to see the stress testing then to see if they are up to speed. Our IT person feels that they are, but we want to check those out to make sure if we have to utilize those.

That is internal operation because, as you all know, we have got a lot of people that depend on USDA on a daily basis, from farmers and ranchers to consumers out here, and we have to carry on the work.

So it is mostly being prepared. Our motto is be prepared, not panicked, and doing that, and that is what we are trying to do ahead of time.

You know, you always want to ask yourself is there something we could have, should have, ought to have done that we would have looked at in the last part, and that is really where we have

been in all of the guidance and recommendations to our internal team.

Certainly trade is one of those components people ask a lot about. What about the phase one deal? We understand just from a physicality standpoint of people getting the work. This may be influenced some, but the good news is from China, they are still doing many of those non-tariff trade barrier types of things.

They are dissolving those and resolving those point by point, indicating to us there as full intention to try to fulfill the hard number commitment they made, and that is going very, very well in spite of the coronavirus.

Ms. PINGREE. That is great.

Well, I am out of time, but thank you so much for your answers. I appreciate that.

Mr. BISHOP. Dr. Harris.

Mr. HARRIS. Thank you very much.

And good to see you again, Mr. Secretary.

You know, the competition is intense this morning. We have CDC a couple of doors down, and they have got a little problem on their hands.

Anyway, let me first talk to you about a very important issue from my district, which is the USDA inspection for catfish. Now, as you can appreciate, not all catfish is the same. In the Chesapeake Bay, we have the blue catfish, which is an invasive species.

And just two days ago I am told tales of, you know, people catching these 60 pound catfish that are basically eating things that are native to the Chesapeake Bay to the point where, you know, we have spent a lot of Federal dollars to build up our blue fish population, our crab population, and you know, this could all be for naught because of the blue catfish.

Now, blue catfish tastes good, I am told. The trouble is that, as you know, in 2017 they moved the inspection of catfish processing from FDA to USDA, and the current USDA regulations are just too onerous for our watermen to make a profit catching these invasive species.

So the invasive species just keep on going on instead of what would make a great idea, which is, oh, yes, let us actually harvest them and kill two birds with one stone. We produce a product, American made product, and, by the way, we take care of this invasive species.

So I am going to ask you. Could the department, for instance, under their rules and regulatory scheme, exclude invasive species from the more onerous requirements of catfish processing regulations?

Secretary PERDUE. I am not aware that we could if they are used as a food source. Obviously, we take food safety very, very seriously, and if they are being consumed like pork and beef and chicken, I do not know that we could do that legally in that way.

I am more interested in really the onerous part of what you are saying of why the watermen feel like it is overbearing in that way, and let us resolve that issue first.

Mr. HARRIS. Sure. No, Mr. Secretary, you know, it is simple. You require an inspector there at all times when these boats come in. And you know the way watermen work. You know, sometimes they

will go out. They will come in in the evening, and you cannot have an inspector there right at that moment.

So hopefully we can work together and maybe eliminate that because this is a huge problem for the Chesapeake Bay. You know, we have two bills before the Maryland legislature asking Congress to please, you know, provide some relief because these are invasive species.

So I would appreciate it. I would appreciate working with you on it.

Just a couple of other things in my limited time. I think that you are doing the right thing when you are looking at work requirement for able-bodied adults under the SNAP program. I know that the department comes under a lot of criticism for looking at that policy or toward that policy, but I just think it is the right thing to do.

I think my constituents believe that we are a generous Nation. We do have a safety net, but this actually helps people out of the safety net while providing them, you know, support during that.

The other thing that I am very interested in, but I do not think we are going to get off the ground, although we should, is the Harvest Box program because I think, you know, the trend in America right now, and I know because my daughters do it, is, you know, you have got to have home delivery or easy pickup of groceries, and to blend that with the availability of providing more availability of nutritious products in food deserts, this all comes together as you now encourage private vendors to create these market boxes and actually deliver them to places where you would have no access, no access to healthy food.

So I think, again, that is a project that I certainly advocate for, and that I hope, you know, we can move somewhere along those lines because I actually think it greatly improves—you know, it is a win-win. It is a win-win for our farmers. It is a win for those areas, especially the food deserts where we would be getting food there.

We potentially could get nutritious food there where it is very difficult to get food.

Finally, one thing is that—and, again, we are talking, you know, we are with the CDC for people over there two doors down, but you know, that COVID–19 problem arose from animals. I mean, that is a transmission from animals sold in a market to humans.

We do not have the equivalent here as a focus on how we control diseases, and now that we appreciate that a lot of these novel viruses are going to be mutations with a reservoir and an animal source.

So we need an entity that thinks about this, that spends all of its time thinking about this like we have the CDC thinking about it for humans, how to prevent transmission human-to-human.

How do we control these kinds of diseases in the animal population?

Secretary PERDUE. That is a great question, obviously. That is really what our whole purpose of our food safety inspection system is all about. If you wanted to create a market out here and just sell bats, that is not appropriate, and you would be stopped from that, and that is the good news about really the protein aspect. FDA

does it on the vegetables and other eggs and things like that. We create the protein in the Food Safety Inspection Service.

And certainly vigilance from a research perspective over the zoonotic diseases is very, very important in that regard.

If I could go back to a couple of things you mentioned, we tested in Texas for rural areas' delivery of food that way, and it worked very, very well. I think if we could be permitted to do something on a choice basis, to allow half of the food stamps to be delivered to people, I believe there would be more assumption in limited pilot projects over choice, if we gave people the choice, not mandate it, but gave the choice. I think we would see a lot of uptake there.

The other thing over the E&T and the ABAWD rules, I wish you all could have gone with me to Baltimore the other day to an education and training facility. It was just the most amazing thing.

These were machinists. They were teaching unemployed people how to code these machines there and welding techniques. We had employers. We had participants. We had training. It was great, and we are trying to replicate that system out here.

We have got an obligation to help people move that have not been employed to move out, not just cut them off, but our goal is to help move them, move them to sustainability.

Mr. HARRIS. I appreciate that. Thank you.

I yield back.

Mr. BISHOP. Mr. Cuellar.

Mr. CUELLAR. Thank you, Mr. Chairman.

Mr. Secretary, I appreciate what you and your men and women do for the country and certainly what you all do in Texas.

I want to ask you a couple of questions that we have added in the appropriations bill. One is section 741 that deals with what we call the 10–20–30 program, that is, 10 percent of the funding from, and there is a list of programs, will go to areas that have had 20 percent of its population at the poverty level for the last 30 years, something Clyburn and some of us have been working on.

My concern is I have asked some of the folks in Texas, and they are not familiar with the 10–20–30 program. This is not a rider. It is actually a section. It is a bill.

So I would ask you all to please have your folks make sure they comply with this part because I did ask some of my Texas folks, and they had no idea about the 10–20–30 program, which is one.

Second, another rider that we added has to do with SNAP, the SNAP program, and how the Department of Agriculture and the Department of Education, you all can work together and provide outreach for eligible college students.

So I want to see what sort of plans on the rider that I added, see what plan you all can do with the Department of Education to reach out more to the college students to get that type of assistance, and of course, the 10–20 program.

And then finally, actually I was going to ask two, but I will ask one more. Fever ticks, through the help of the chairman and the ranking member, I have been able to add money for fever ticks.

And in Texas, as you know, and I have been there with prior Secretaries; I have been with them as we dipped the cattle. The quarantine has not gotten smaller. What worries me, the quarantine

area has grown, and as you know, the cattle industry in Texas and other parts is very important.

If this will continue to spread, it would cause great damage to our cattle industry.

So one is the 10–20–30 program. Two is how you all can help us with college students so they can be eligible due to outreach, and of course the fever tick situation.

And, again, I appreciate you have got some real good folks down there in Texas, and I appreciate the good work that they do.

Secretary PERDUE. Thank you, Congressman.

Before I say anything, congratulations.

With the 10–20–30 program, it is a common program in rural development. And it may not go by that name, but obviously a 10 percent set-aside for high poverty areas that have been there for 20 percent poverty for 30 years. That is the 10–20–30 program that came.

And so that is fundamental in our rural development program. If your folks are not aware of it or do not feel like we are in compliance there, then we want to hear about that because that is pretty standard operating procedure in rural development programs.

And certainly from the food, SNAP program for college students, we do not make a distinction whether they are in school or not. They come in. They are on their own that way. Then they are eligible. They qualify, and we go forward in that way.

You know, if they are working, certainly, and probably not making a wage that disqualifies them, then they are eligible to do that.

Mr. CUELLAR. Right, and as per the rider, if you all could just work with the Department of Education and just do that outreach, we would appreciate it.

And on the 10–20 also, it is not only the rural development. I mean, there are like a whole bunch of programs there that I certainly want to make sure we work with you all on that.

Secretary PERDUE. Okay.

Mr. CUELLAR. Anything on fever ticks?

Secretary PERDUE. Yes, sir. I have been in the area and talked with ranchers, and most of the refuge down there mostly is Department of the Interior land in that area.

We have got a problem. There are the carriers of Nilgai and deer as well, and many of the ranchers do not want to do the things that it takes down there to quarantine their animals in that way, but we are working with them.

I met with them down there and felt like we are making progress on it in that way. It is an important thing, and I think we have got it stopped. We have not eliminated it yet, and that is the goal.

The challenge, obviously, is that many of the pests come across the border, and we are limited sometimes in the provisions there.

Mr. CUELLAR. Right, and that is what I was going to ask you, is the language that I have added was to work with the Mexican officials.

Secretary PERDUE. Right.

Mr. CUELLAR. Because you do have wildlife that crosses, and we cannot dip ourselves out of problems, out of this particular situation because it is not only the cattle, but it is the wildlife.

Secretary PERDUE. That is right.

Mr. CUELLAR. So, again, I appreciate that you have got some good folks.

I would ask you to also look at your tick riders because I have got a lot of comments from our folks that we need to have more of a presence there with the tick riders down there, what we call tick riders there.

But anyway, you all do a good job, but I appreciate it. Any way we can work together or try to get you extra resources, we would love to work with you on this.

Secretary PERDUE. Thank you, sir.

Mr. CUELLAR. Thank you.

Mr. BISHOP. Thank you, Mr. Cuellar.

Mr. Secretary, I am concerned about how your relocation of ERS and NIFA is proceeding. As of the latest pay period, you were short a total of 429 employees in Kansas City out of your target of 576. That is about 75 percent short.

Because this has been such a, for lack of a better word, a mess, you are backfilling ERS and NIFA in Washington with retired staff, contractors, temporary staff, cooperative agreements, and grants with universities and other groups.

They are doing the work of the permanent staff who left in response to the move. We received other information from USDA about the cost incurred in relation to the move that conflicts with what we were told when the move was being planned.

By the way, we have asked questions about the cost of the backfilling, and we have still not received answers.

Both agencies have hemorrhaged hundreds of years of institutional knowledge, and the cancellations or delays of future reports is inevitable.

Last week several of my House Agriculture Committee authorizing colleagues expressed concern about delays that we have been hearing about, some NIFA awards, especially the 1890 scholarship program.

The farm bill, which was passed over a year ago and the funds still have not gone out the door. Timing is critical, and as we move later in the year, the scholarship fund not being delivered will impact the incoming class and the 1890's abilities to attract the best and the brightest minds.

So I am afraid that the example of the 1890 Scholarship program delays is the first signal of an oncoming wave of program delays, missed deadlines, and report cancellations.

I think you stated to Representative Alma Adams that you would specifically find out about the delay in delivering funding awards with the 1890 Scholarship Program.

Can you share what you have learned since last week and why there has been a delay of over a year?

And I had a meeting with a number of them last week also who, when they found out that I would be entertaining you today, asked me to please inquire on that. So I would like to do that please, sir.

Secretary PERDUE. Did you use the word "entertaining"? [Laughter.]

Mr. BISHOP. I did actually.

Secretary PERDUE. What I have learned since the question the other day is where are we on that, and certainly the 1890 Program

being a new program, some of the other delivery of money at being obligated was obligated on time. The cycle of one- and two-year programs in NIFA obviously go over a cycle, and it goes all the way back to the shutdown of the mayor putting us a month behind as we move forward. We are probably another month behind. We expect all these obligations to be out by March the 30th, and we prioritize the HBCU.

They have been notified they are going to get the money, but you know, like a lot of people, and they want to see it in hand, and we have not dispersed it yet, but they can plan for these students, they can recruit these students coming in for the fall is when it would be implemented, and we have notified them of that.

Mr. BISHOP. Yeah. Mr. Secretary, I am sure that you are aware that these are some of the more delicate institutions, the HBCUs and minority-serving institutions, and being able to plan and to know exactly what cash they will have on hand will certainly—is invaluable to them, and not being able to do that puts them in great jeopardy. One, of being able to assure students that they will be able to get in and have the resources they need, and two, in just keeping their doors open in many instances.

So, I would urge you, Mr. Secretary, to please, if, to the extent that you can, try to expedite these funds, because they are really sweating bullets, and they really, really are concerned about having access to those dollars as soon as they can possibly get them.

Secretary PERDUE. Those were the written instructions we gave to our folks this week.

Mr. BISHOP. Thank you, Mr. Secretary. My time on this round is just about over. So, at this point, let me recognize Mr. Moolenaar.

Mr. MOOLENAAR. Thank you, Mr. Chairman. Just, Mr. Secretary, I was hoping to follow up with you a little bit on the tart cherries issue and, you know, in the first round, we were discussing the pressure on the tart cherry industry, and it comes from the what I would consider unfair trade practices from Turkey, and my understanding is the—originally, the International Trade Commission determined that counter-available subsidies are being provided to producers and exporters of dried tart cherries from Turkey.

The preliminary determination was an estimated counter-available subsidy of 204.93 percent. The preliminary determination of the estimated dumping margin was up to 648 percent, yet in January, the ITC determined that the tart cherry industry is not materially injured or threatened with material injury by reason of imports of dried cherries from Turkey, and with that subsidy rate and the dumping margin, it just seems to me that that—I don't understand how they came to that conclusion, but my understanding is the investigation is complete, and completed with a surprising end, and I just wondered if there was anything we could do together to, you know, help with these specialty crops that have been disproportionately affected by these farm subsidies that the ITC has failed to take action on, and wondered if you would also be open to coming to mission and maybe touring a cherry farm or other great specialty crop producers.

Secretary PERDUE. I was surprised as well, Congressman, and when we saw the initial percentages there, we thought we had a

win, and when the final adjudication was not, then I didn't understand that. I think again from USDA, using the tools that we have on Section 32 is really what we have available there right now. We are open to other suggestions that you have, but we are—as you well know, Michigan has a wide diversity of specialty crops, and in that way, we addressed really some of the sugar beet issues that were——

Mr. MOOLENAAR. Yes——

Secretary PERDUE [continuing]. On this last year in that way, but many others, but yes. I would—we look forward to getting around in specifically these kind of areas, or having—hosting them and telling us some of the challenges that they face. Certainly, they feel like they have done in this case what they needed to do. I don't know. I can't explain the outcome.

Mr. MOOLENAAR. Okay. Thank you, and the other area I wanted to just follow up with you on. We talked a little bit about the ReConnect Rural Broadband Program, and you know, I appreciate the work you are doing.

I know you have been making this a top priority as you travel around the country, and I am just wondering what else the federal government can do to address this divide between rural and nonrural communities so that our rural communities are not left behind? I think USDA is working on it. The federal FCC is working on it. Are there other things we could be doing to assist in this effort?

Secretary PERDUE. I think again, all of us are working on accurate mapping, which I think what you all did in the flexibility on the latest rounds was we had been prohibited. If two or three houses in a census track were served, they were deemed unserved, or they were deemed to be served. Well, you gave us a percentage of flexibility there.

I think again from maybe more flexibility and the population there, and some of the flexibility of what it really means on a location by location basis would help in that regard, as well as the funding continuing, because we think once we've got the foundation of these awards that are moving very well, we and dealing with both telephone coops, electric coops, and the private sector, we've seen all those come in. Even communities have come in. So, I think if we just need to continue to do more of it, our goal is to get this $1.1 billion out as quickly as possible.

Mr. MOOLENAAR. All right, thank you. Thank you, Mr. Chairman, and I yield back.

Mr. BISHOP. Ms. Pingree.

Ms. PINGREE. Thank you very much, Mr. Chair. I'm going to take you on a whole different topic.

There has been a lot of attention to PFAS recently. I know my colleague from Michigan has had a lot of issues in that state, but we are hearing about it all over the country, and I want to talk a little bit about the impact on our farmers. Certainly, it is a touch time to be a dairy farmer, but even tougher when something like PFAS affects your farm, the contamination.

Interestingly, we really only know about two cases that we have heard a lot about. The one in New Mexico, and then the one in Maine. The New Mexico one is related to an Air Force Base. The

one in Maine is related to a sewage treatment byproduct being placed on the land a long time ago. So, it is a very complicated thing.

Once there is PFAS contamination, it pretty much stops operations on your farm. It is very expensive to do the testing, which is the responsibility of the farmer or often left up to the farmer, and once you have that contamination issue on your farm, it is very likely no one is going to buy your milk again.

What our experience has been is that the Dairy Indemnity Payment Program does not work well for farmers that are impacted by PFAS, so I am just curious if this is on your radar screen? Has this USDA taken a serious look at this? And how do we make sure there is a pathway to getting those farms back into production who have PFAS contamination?

Secretary PERDUE. Certainly. We—I know DoD is looking at the overall broader issue, but it certainly is and affects dairy farms particularly. We have dealt specifically with this New Mexico larger dairy and have paid the monthly indemnity fee. You know, that doesn't account profitability. You still lose that.

It reimburses for cost, but I think the good news is recently, we are making some progress over at FDA checking over once clean water, clean feed is able to be brought into the cattle, then, there is a cleansing there. The meat can then be utilized safely of the standards and the residue levels that they have talked about.

The land, then, is different, and I have recommended, and we are looking at just really purchasing those gals, and relieving this person of having to milk those cows.

Ms. PINGREE. Mm-hmm.

Secretary PERDUE. While you dump the milk as we go forward. It is a complicated effort in that way. We think we are close to resolving the New Mexico issue in that way.

Ms. PINGREE. Well, we will follow up with you after the hearing. Our case is somewhat different in Maine. The New Mexico case, in some ways, was fortunate because it was next to a DoD facility. We don't have that same ability, but some of the things in the Dairy Indemnity Program have not worked for our farmer, but we will get the exact information to you.

I know we have been trying to work with the department, but this case just hasn't been successful for a variety of reasons, but as you can imagine, it is a financial disaster.

Secretary PERDUE. I am not as familiar with the minutiae.

Ms. PINGREE. I understand.

Secretary PERDUE. Most of the PFAS issue in New Mexico was water generated, water affected, not so much the land itself. So, we would be happy to take a look at Maine.

Ms. PINGREE. Great. That would be helpful, and just finally, I have a perpetual question on the original of livestock final rule.

Secretary PERDUE. Mm-hmm.

Ms. PINGREE. I know the common period on the proposed rule ended in December. It is something the organic industry has been waiting for a long time. So, are we closer to getting it across the finish line? Do you have a timeline for sending the final rule to OMB?

Secretary PERDUE. On the origin of what we—? Just the—you are—because I don't want to confuse this. That is the country of original—?

Ms. PINGREE. No. The origin of livestock. The organic rule on origin of livestock. Dairy cows——

Secretary PERDUE. Yeah——

Ms. PINGREE [continuing]. In particular.

Secretary PERDUE. Yes. I think we are. I think the transition phase is really pretty close to going. I think it is. If not, it is already there. There was an issue over transition to organic standards, and I think the industry will be happy with the certainty that provides, not being able to go back and forth, and you know, kind of once organic, always organic. In that way, I think the people who participate in organic standards, I think, will be pleased with the rules.

Ms. PINGREE. Great. Well, we are looking forward to seeing that rule and having a resolution on that.

And with that, I yield back. Thank you very much.

Mr. BISHOP. Thank you, Ms. Pingree.

Mr. Secretary, the Partnership for Public Service, a nonpartisan nonprofit organization issues annual rankings of the best places to work in the federal government using data from the Office of Personnel Management, and in 2017, when the USDA became, "The most improved large agency," about moving from ninth place to seventh place, all right, you said that these rankings show that USDA is also a great place to work and is improving every day.

For the last two years, however, USDA has ranked 16th and 17th. I am sorry. 16th out of 17 of the large agencies. Worse yet, out of 420 agency subcomponents that were ranked in 2019, USDA had 3 of the bottom 6: The Economic Research Service at 415, the Office of the Assistant Secretary for Civil Rights at 418, and the National Institute of Food and Agriculture at 419. I think both know why ERS, Civil Rights, and NIFA were ranked so low.

With respect to the department's ranking, since you supported that finding in 2017, do you agree with the latest finding?

Secretary PERDUE. I think the data is the data. Anecdotally, I don't get that sense as I move around and walk around USDA. I think again, you have understood the NIFA, ERS, and factually, we have had some issues in OSCAR as well that we are working hard to do. It is a very important part of USDA's program programs, and I think we are on the right track in that regard. So, as far as me being able to explain that, I can't. It doesn't match what I sense and feel as we get around and talk to our people.

And while we are on that, I want to put in a good plug for the USDA personnel. This last year, 19 disaster. We had another MFP appropriation implementing the Farm Bill and frankly, with the really frustrating ability to hire people in this economy. And so, the people who have been there have done more with less, and I appreciate that.

Maybe that might have some influence on it, because there has been a lot of work to do the last couple years over implementing the Farm Bill, as well as this disaster, MFP payments, and others, but they—as well as the regular farm programs. They have done

a wonderful job. I am proud of them, and I hope to make them all proud of me.

Mr. BISHOP. We appreciate very much their hard work and your hard work in leading the department. Let me switch gears for a moment and talk about the Trade Market Facilitation Program.

You have said on multiple occasions that you are telling farmers not to expect or anticipate a third round of market facilitation payments. I think that is good advice. As optimistic as you and I and farmers may be now with the signing of the phase one trade deal with China, the USMCA, and the other trade deals, I am afraid that the initial retaliatory tariffs did permanent, or at least long-term damage.

Farmers and producers have received temporary government aid, but they lost stable and allowable markets that they had cultivated for years. So, even as the first phase of the China trade deal goes into effect, it doesn't mean that the farmers are in the clear. Our markets will be slow to return, and the bottom line is that the tariffs still are above pre-trade war levels.

Last month, the Farm Credit Administration was up here, and they said that loan officers are working with farmers to diversify their portfolios to better handle these uncertain times and this, sadly, includes recommending all farm income. This is far from ideal. So again, as optimistic as we are about improving fortunes, what lasting damage should we expect to see, and do you think the events of the last three years are likely to attract more people, particularly young people, into farming?

Secretary PERDUE. Mr. Chairman, I think when—we will not be able to attract or retain young people in farming until we can provide them a profitability proposal out here that allows that economic sustainability to take place.

We saw a lot of young people come into farming in those years of 2008 to 2013 that were kind of career highs of profitability from agriculture. I brought a chart here that I'm really stunned by—frankly, though, and I brought it just because I'm excited about it, I'm optimistic. You're optimistic, but farmers are also optimistic.

This is their—the red line is their index of future expectations, and you can see it comes back to October of 2015. The blue line is the index of current conditions, and then future expectations.

This obviously took place before the coronavirus, but farmers are optimistic out there I think with these trade deals. We just need to make sure they come about. That's—your question, I think the enforceability provisions on the phase one, there's a lot of demand out there. The good news is we see China taking action that can fulfill those numbers, notwithstanding the corona slowdown now.

Mr. BISHOP. Yeah. My concern is that in spite of that and the valiant efforts that both Congress, the agency, as well as some of our states like Georgia have done to try to fortify the farmers that were suffering, particularly from the natural disasters, we're still seeing an enhanced—an astronomical number of bankruptcies, which means that many of our farmers will not be around to enjoy that rebound once our relations with China get back to normal. So, that's a concern, but it—at this time, let me—we—I recognize Mr. Moolenaar.

Mr. MOOLENAAR. Thank you, Mr. Chairman, and Mr. Secretary, thank you for the update and I—similarly, Chairman Smith from the Farm Creditor Administration appeared before the subcommittee last month and noted that the farm credit system remains financially strong overall, but that certain sectors of the farm economy are experiencing stress, and with respect to the coronavirus, I'm just wondering if—and maybe this is a question for Dr. Johansson.

If you as a department have any insights on how your latest projections of growth might be—you know, with respect to trade and how that's all going to be affected by the coronavirus, have you had a chance to do any modeling, or any updated information based upon this new situation?

Dr. JOHANSSON. Thank you for the question, Congressman. Yes, we've been looking at different projections of global growth. More—I would say we focused more on the Chinese growth projections and how that might affect phase one, knowing that that would likely shift phase one purchases further out into the year, just due to the fact as the Secretary mentioned, while we can work forward on some of those agreements on SPS issues, the actual purchases with shipping being slowed down in ports and that kind of thing, we were likely to see those purchases shifted out further.

More recently, we've turned our attention to thinking about if we see some more global economic conditions slow down in the first quarter here, or potentially in the second quarter, how that will affect demand for agricultural products.

So, yes, I think normally we would look and see how much purchasing power in emerging and developing economies, for example, would be reflecting changes in economic conditions, and it's likely that if there is a slowdown here in the first part of the year, I think most forecasts show a rebound in the later part of the year. So, again, we haven't published any results, but we've been looking at that for sure.

Mr. MOOLENAAR. And do you have any idea how, you know, the—obviously with the news of Italy kind of quarantining everyone, and it—how does that work for agriculture exports to Italy? How—you know, how—how does that affect things?

Dr. JOHANSSON. Yes. Well, certainly, we would like to be selling more products into all of Europe, and Italy included. Certainly when they have a quarantine as they've imposed over the last couple days, that will affect trade in and out of Italy for sure.

I don't have any numbers in terms of how much our actual exports are into Italy at this time. I think by and large the Secretary mentioned our major trading partners, Japan, Mexico, Canada, and China are all being benefited by the agreements that we have in place.

Of course, we're acknowledging the practical limitations of worrying about getting trade accelerated at a time when countries are focused more on their public safety issues, but I think that's a great question to look at, and we're certainly trying to bring our modeling up to speed to reflect different parts of the country that may be imposing different types of import and export restrictions.

Mr. MOOLENAAR. Okay. Thank you. Thank you, Mr. Chairman. I'll yield back.

Mr. BISHOP. At this time, I'd like to yield to Mr. Pocan.

Mr. POCAN. Thank you very much, Mr. Chairman, and thank you, Mr. Secretary. I apologize for not being here for the first part. We have the CDC also, and these days, more people are talking about coronavirus than agriculture, even in Wisconsin. So—but no disrespect, and I do want to say thank you very much for coming and visiting the facility on campus. You're a man of your word. You're the only person I think I've invited who has ever come to my district and followed up on something in my seven years here.

So, thank you, and I really do appreciate that, and hopefully we'll figure out a way to get that building done. You know what the—I didn't tell you that day, and I should have, is they cleaned it up for you. So, they swept up the cockroaches and everything else, and I told them they shouldn't have, because I wanted you to see it in its whole glory. But you came, and I really appreciate that. So, thank you.

A couple of questions. Let me start with market facilitation program. You know, we lost 10 percent of our dairy farmers in Wisconsin, and it's been really a tough hole. Some farmers get as little as two bucks through this program depending on what they're growing.

2,600 farms got less than $1,000. The head of our farmer's union in Wisconsin said that the true value of what farmers lost, it didn't even make up the difference at all. So, it was certainly something that allowed farmers to pay off some bills, but it didn't clear their debts. These payments were next to nothing.

The question I have is, you know, it really didn't solve many of our farmer's problems. It was a very small amount to many, and then conversely we found out that through the assistance program and through some purchases, $67 million went to JBS USA, a subsidiary of a Brazilian company. So, a Brazilian company got 67 million, Wisconsin farmers in totality got 43 million, less than one Brazilian company, and then some farmers got as little as checks for two dollars. Can you help me figure out how we're—what we're able to do next to help out those farmers, especially as we still have some ongoing issues with China?

Secretary PERDUE. Certainly. Some of the—as you well know, the dairy issues have been under duress for a while. The 2014 farm bill had hoped that it would be—serve dairy farmers better. It didn't.

You all did correct that in the 2018 farm bill, and the margin coverage program I think is going to be really helpful. We saw a good windfall last year in 2019. So, your dairy farmers that were still in business had a good year with the dairy margin coverage program last year in that way. The market facilitation program was an anti-trade tariff retaliation program, and the exports that were—the damage that was done by that was the way that was calculated.

Smaller dairies, so obviously it was based on production. Smaller dairies would get less than those that were larger. It was never a design to make people whole, and we'd have needed a lot more billions of dollars to make dairy people whole over the last five years in that way. So, that's where we were.

Mr. POCAN. If I can, Mr. Secretary, just a question, because you brought it up, the margin protection program.

Secretary PERDUE. Yeah.

Mr. POCAN. So, as I understand it, for farmers in Wisconsin, they got about .20 centers per 100 weight of milk. If you're selling milk at $29 a 100 weight, and the break even point is about $32, the amount was pretty small actually that dairy farmers got, and that's why I'm just trying to figure out, because that's the problem, because I'd agree, the trade assistance was more for my soy and corn folks, but still, it was very, very small dollars, and even on the dairy side, it didn't provide very much when they were already under water.

Secretary PERDUE. As I indicated, it was a trade damage program, not a price support program. So, where dairies were under the economic duress of the last—previous five years, and the—and the indemnity—crop insurance indemnity, or the dairy program didn't perform as well as people had hoped under the 2014. I think you all have rectified that. If you look at the numbers from 2018 of the Wisconsin dairies that participated, and the amount of money they got from the dairy market margin coverage program was vastly improved in that way.

Mr. POCAN. But I would love to work with you more, because last year——

Secretary PERDUE. Okay.

Mr. POCAN [continuing]. We actually hit our record of dairy farmers that closed down. We're number one in the country for farm bankruptcies, and we lost 900 dairy farms last year alone. So, it is—it hasn't worked, and I guess that's what I'm trying to stress is that as much as maybe from a DC numbers perspective it looked good.

From a dairy farmer in Wisconsin perspective, it looks like bankruptcy, and that's the problem we're having. So, we do need to something else pretty quickly and substantially. I agree, there's some over production, there's some other issues absolutely out there. But if we keep losing at this rate, it's going to really have a devastating impact in places like Wisconsin.

Just in the second I have left, biofuels, can I try to—I come late, and I go long. Are we working with the EPA—I know it's the EPA program on the waivers, but obviously you know the impact it has on the egg community. Are you working with them to try to make it so that we can get rid of some of the waivers that were granted so we can get back to ethanol production?

Secretary PERDUE. We absolutely are hard, in that we—the 10th decision—the 10th Circuit Court decision was a benefit——

Mr. POCAN. Yeah.

Secretary PERDUE [continuing]. There. We think that will reduce the amount of refinery waivers that are—refineries that are eligible for the waivers, which is significantly reduced the number of gallons that are waived. It's been a real hardship on the ethanol industry and those producers.

Mr. POCAN. Yeah. Whatever we could do. I know it would be much appreciated.

Secretary PERDUE. Okay.

Mr. POCAN. Thank you, Mr. Secretary.

Mr. BISHOP. Thank you, Mr. Pocan. The gentlelady from California, Ms. Lee.

Ms. LEE. Thank you very much. Thank you, Mr. Chairman. Thank you, Mr. Secretary. I too apologize for being late, and hopefully my questions aren't redundant, but thank you so much for being here.

A couple of things I wanted to ask you with regard, again, to COVID–19. One, in terms of food banks who are responding to this epidemic/pandemic, will they be reimbursed, especially the nonprofits, for helping deliver food to individuals who cannot for obvious public health reasons make it to food banks?

Secretary PERDUE. The—we provided funds, administrative and delivery and storage funds to them through the market facilitation program over the market acquired program that we're doing the $1.2 billion putting more—$1.2 billion through the food banks. We did give them I think overall—I can't remember how many millions of dollars we increased that for the administrative costs, the logistics, and the storage and the warehousing in that regard.

Ms. LEE. Has that been—since the public health——

Secretary PERDUE. That——

Ms. LEE [continuing]. Emergency, or——

Secretary PERDUE. No, that's been——

Ms. LEE [continuing]. Prior to that?

Secretary PERDUE [continuing]. Prior to that, yes.

Ms. LEE. Prior to that, okay. So, the need obviously now is greater, and the reimbursement rates and the level of reimbursements will probably increase. And so is there a way to make sure that given this public health emergency——

Secretary PERDUE. I'm not aware that we have——

Ms. LEE [continuing]. That you're able to do——

Secretary PERDUE [continuing]. Any authority or appropriation to do that. We use that—other than through the market facilitation program to do that, but I'm not aware that we've got any direct type authorization, or appropriation to do that.

Ms. LEE. Okay. Well, Mr. Chairman, maybe we'll look at that and see——

Secretary PERDUE. Okay.

Ms. LEE [continuing]. If in fact the need warrants us to drill down a little bit, because this is going to be extremely important.

Secretary PERDUE. And many of these may be called upon to serve the food kits when schools close as well.

Ms. LEE. That's right. So, thank you very much. Also, now, considering the many low waged workers are going to lose their hours——

Secretary PERDUE. Right.

Ms. LEE [continuing]. Due to the cancellation of events, people choosing for obvious reasons, again, public health reasons, not to eat out, closure of office buildings. Will you be calling on a suspension of the low cost meal allowance nationally? People such as janitors, food service workers, parking attendants, ticket sales people, you know, other people who depend on a minimum wage just to barely get by, they won't have sick time to cover lost wages.

Secretary PERDUE. I think we look forward, as we all heard yesterday over a more broad economic stimulus package, we look forward to coordinating with you all in administration from the food perspective there rather than going—I think there ought to be a

one government approach. I'm not sure exactly all the plans for economic recovery in that way, but we know that food should be an important part of it.

Ms. LEE. Okay. We'd like to work with you on that, and also, we know this three month time limit, and to secure 20 hours a week when in fact people are going to be harmed now——

Secretary PERDUE. Right.

Ms. LEE [continuing]. Even more so by the three month time limit. How do you—I mean are there waivers that you right now can, can grant with regards——

Secretary PERDUE. The——

Ms. LEE [continuing]. To this time limit?

Secretary PERDUE. There are. They are called Good Cause Waivers. And the states have that discretion. Any time there is an outbreak there if a job—they can't attend their job because of not going to work or the company says don't come to work or they have the illness themselves, the state can provide a Good Cause excuse where they do not have to fulfill that work requirement. That is——

Ms. LEE. And do you approve those waivers or does the state——

Secretary PERDUE. That——

Ms. LEE [continuing]. Just——

Secretary PERDUE. That——

Ms. LEE [continuing]. Automatically do this?

Secretary PERDUE. The state are already authorized to provide a Good Cause excuse to do that. That is not a waiver type of issue.

Ms. LEE. Okay. And then the other question has to do with school meals that are served outside of the system. How about a waiver—I think the provisions—well, first of all, is there a blanket waiver right now as it relates to the reduction of the price of meals and school waivers?

Secretary PERDUE. Not a blanket waiver because our attorneys have indicated that statutorily we don't have the authority to issue a blanket waiver. But we have indicated to the states if they as the answer will be yes.

Our attorneys have told us we have to be asked. We can't voluntarily issue a blanket waiver. But if we are asked, the states have indicated the answer is yes, they will receive a waiver.

Ms. LEE. And then finally let me ask you the provisions of Disaster SNAP versus Pandemic SNAP.

Secretary PERDUE. Yeah. Right.

Ms. LEE. Can you kind of describe what those differences are——

Secretary PERDUE. Yes.

Ms. LEE [continuing]. And what that means in terms of funding from this committee?

Secretary PERDUE. Sure. To the best of my ability, the Pandemic SNAP was something that Congress created during the H1N1 outbreak a few years ago. It was—it expired after a year and so it is no longer authorized under the P–SNAP.

I think we inadvertently left something up on a website that indicated that, but as of right now there is not a P–SNAP program because it was a program that was temporary and expired. It might be—there might be a need for something like that now.

The D–SNAP is a disaster program where it gives more availability when they are not able to get to grocery stores or food sources that—for cash assistance.

Ms. LEE. So is D–SNAP authorized?

Secretary PERDUE. D–SNAP is authorized in natural disasters.

Ms. LEE. And this would not be considered a natural disaster?

Secretary PERDUE. No, I don't think it would be. I would have to consult, again, with our Office of General Counsel. I don't believe we have the statutory authority to declare a D–SNAP if that is to be—I don't think the public health emergency qualifies for that.

Ms. LEE. Well, when you talk to your counsel, couldn't you ask them is it broad enough for us to include a public health emergency as part of this? Because if in fact the others—the Pandemic SNAP is not authorized, and we can't use that——

Secretary PERDUE. Right.

Ms. LEE [continuing]. D–SNAP is only a disaster related. We have got to find some way to have a public health emergency provision in one of these—somehow——

Secretary PERDUE. I don't disagree.

Ms. LEE [continuing]. Designate that. Don't disagree.

Mr. BISHOP. Will the gentlelady yield?

Ms. LEE. Yes.

Mr. BISHOP. Would—what you are suggesting that you need more authorization—you need more authority in order to do——

Secretary PERDUE. Well, yes, sir, as I indicated earlier, the——

Mr. BISHOP. Public Health SNAP.

Secretary PERDUE [continuing]. The P–SNAP is not—it expired so there is no authorization or appropriation for the P–SNAP. Funding is not necessarily an issue if we——

Mr. BISHOP. Have authorization?

Secretary PERDUE [continuing]. If we had authorization on the disaster type——

Mr. BISHOP. So we need to include that in whatever——

Ms. LEE. Yeah.

Secretary PERDUE. Yeah, that would be one of the possibilities.

Ms. LEE. Mr. Chair, yeah, I was asking in terms of this next bill that we put forward, would this be reasonable for us to look at to include in the next legislation as it relates to next steps?

Secretary PERDUE. That is one of the potential solutions. Yes.

Ms. LEE. Okay.

Secretary PERDUE. We would be happy to really work with you on Technical Assistance to see if there are better or different types of things that we can do or go back to a—I am not all that familiar with the provisions of P–SNAP. But we would be happy to work with you on a Technical Assistance basis.

Ms. LEE. Okay. Thank you very much, Mr. Secretary. And thank you, Mr. Chairman.

Mr. BISHOP. Thank you, Ms. Lee. Mr. Secretary, during your hearing last week with the House Agriculture Authorizing Committee, I was stunned to hear you say that you have had some funding issues with respect to the Farm Service Agency.

If that is what you believe, it has never been reflected in a budget request from the department. FSA has never asked for more

funds to hire up to whatever optimal staffing level that was believed to be needed.

In fact, it was just the opposite. You are using attrition and streamlining efforts to justify hiring reductions. So is it your position that FSA's 2012 request of 1.1 billion dollars is enough to fully fund an optimal workforce?

Secretary PERDUE. Yes, sir. I think the 2021—the 2021 budget as requested will fully fund FSA. When we started hiring up two years ago in that way, we did find a limitation over budget.

Mr. BISHOP. Okay.

Secretary PERDUE. So that is what we expect going forward. We think there is funding there now.

Mr. BISHOP. Last year we provided $100 million more to FSA than was requested. But this year the FSA request includes reduction of $38 million which is attributed to staff attrition and streamlining.

Why would you not want to put these resources towards hiring new FSA staff, particularly since—for example, in Georgia our customers are saying that they don't have enough staff and that the staff that they have access to are not accessible enough.

Secretary PERDUE. Well, one of the things I mentioned earlier, Mr. Chairman, it has been exceedingly frustrating to be able to hire through OPM rules. And what we have to—we have to post these jobs nationwide. And we may get a job applicant from—that qualifies from Utah that doesn't want to move to Georgia or vice versa. And that is kind of what the limitations has been.

We appreciate some of the temporary direct hiring authority which we believe we utilize in order to fulfill these offices in optimum office productivity guidelines that way. But it has been—it has been a challenge to hire people.

I never thought we would see a time where it is challenging to hire people in the federal government. But people are—have choices today. The economy—they have a lot of choices, and many of them didn't want to move.

Mr. BISHOP. Do you have a hiring plan?

Secretary PERDUE. Yes, sir.

Mr. BISHOP. Okay. Would you provide that to us. And would you also provide the committee with the optimal number of FSA employees and what it would take to actually——

Secretary PERDUE. Absolutely.

Mr. BISHOP [continuing]. Get there.

Secretary PERDUE. Certainly. Certainly.

Mr. BISHOP. Now, let me turn to another perennial concern that we have.

Secretary PERDUE. Okay.

Mr. BISHOP. In October the Office of Inspector General released on a report on its review of the FNS Nutrition Assistance Program, disaster funding in Puerto Rico, following Hurricanes Irma and Maria.

The IG found that what a lot of us already know and that is that Puerto Rico does not have legislative authority to operate a disaster nutrition program and as a result essential disaster funding didn't get to the survivors until six months after the hurricanes.

Further, the IG found that since Puerto Rico was unable to operate a Disaster Nutrition Assistance Program was unable to adequately plan for the hurricanes. Do you agree that Puerto Rico should be a part of the Disaster SNAP program?

Secretary PERDUE. And to answer the question, obviously, we know that Puerto Rico has a block grant which should give the territory more flexibility in fulfilling their issues.

I am not sure that putting them under a traditional SNAP plan would help or hurt the territory. It looks like they would have more ability to serve their people through the block grant with limited rules and regulations in that way rather than administering a traditional type of SNAP plan as other states must do.

Mr. BISHOP. The block grant though has a cap on it. And if the need exceeds the block grant, they are out of luck. And they have got people that will go unserved.

Secretary PERDUE. Well, you all were very generous, as you remember, to Puerto Rico in extending that beyond that time period. And it was—I am not sure that the issue of serving people was—limited to funding.

Mr. BISHOP. And I do understand that, but it seems cumbersome to have to wait until a disaster occurs and for Congress to have to pass a special bill for Puerto Rico if that were already in place, the provisions for that.

Secretary PERDUE. But they get a block grant routinely. And you enhance that with D–SNAP and others in that way. As I said from—and we—you know, Mr. Chairman, we are limited in the way of—states administer this program. That is one of the issues.

You all put all the money there, but states administer the program. We have limited ability to control the quality of service that states provide.

Mr. BISHOP. And I understand that. And of course Puerto Rico is not a state, but I am concerned—and there is a great deal of concern about the territories being able to have the resources they need when they need it.

And there seems to have been some disparity. And because of that, we are trying to explore what we can do to eliminate that problem re-occurring every time there is a disaster which may require resources that exceed whatever the block grant cap is. My time for this round has expired. Ms. Lee, do you have additional questions?

Ms. LEE. Yes. Yes, Mr. Chairman. Thank you. Continuing with our discussion on SNAP—as you know Low Cost Food Plan is not currently used in SNAP, but many experts agree that the—is the Thrifty Food Plan is outdated and does not accurately reflect the cost or amount of food that needs to be consumed every day.

I believe we asked you for a report on low cost food and helping to determine SNAP allotments per person. It was about a year ago that we asked for that report. Do you have an update on that report, Mr. Secretary? I think it is extremely important that we know where this is.

Secretary PERDUE. I am sorry, ma'am, if we have not reported it. I don't have anything personally this morning, but I will go back and look at that request and see.

But we—that is, that is obviously something we need to work together on to determine what levels that you authorize over food availability under SNAP. But if we haven't done that, I will certainly enquire and find out why.

Ms. LEE. Thank you. Do you know when we should expect at least a response on when we would get this report?

Secretary PERDUE. Well, you should have received a response eight months ago, but I—I will have to find out where it is in order to answer your question. But we will be back with you——

Ms. LEE. Okay.

Secretary PERDUE [continuing]. Directly on that.

Ms. LEE. Thank you very much, Mr. Secretary. And the other issue, of course, is the rule that—you know, in terms of the work requirement rule. Have you thought about considering delaying this rule while COVID–19 remains a serious public health threat. Something—this is very serious.

And I have mentioned this before how opposed many of us our to this—really it is a cruel rule of taking food out of the mouths of hungry individuals. And now with the public health emergency added to this, why can't we just postpone or delay this until at least this critical moment is over?

Secretary PERDUE. Ma'am, what we are trying to do is enforce the rules that was intended or the laws that was intended—120 days, as you know, in that way. We give—you give states the authority over 12 percent of a population, no questions asked in order to do that.

Our goal as I mentioned earlier going to Baltimore to see a job training center is we believe the ultimate best thing for these folks are to help them to get a job of a livable wage that they can provide for their families. We can—we looked at delaying.

And frankly as I mentioned earlier, the Good Cause ability that states have if there are extenuating circumstances of disease or health or others, they are excused from that work requirement based on their states' determination.

Ms. LEE. But in addition to states, just the rule in general, Mr. Secretary, so many people—I think 60 or 70 percent of individuals who are working are utilizing SNAP benefits because wages are so low.

And until we raise the minimum wage—until we make sure that everyone has a living wage that they can afford to feed their families, how can we do this because people are working?

Secretary PERDUE. Well——

Ms. LEE. And——

Secretary PERDUE. And if they make wages that qualify them, they are still eligible for SNAP, and we continue to do that.

Ms. LEE. But the rule will not allow for that. It is a rule that would——

Secretary PERDUE. The rule simply goes back to the 1996 law that says for—the population we are talking about, able-bodied, adults, without dependents. Those are the people that really don't have children to look after, don't have disabilities. And really the—not even the elderly. The elderly was qualified from 18 to 49 years old.

So if you are 50 above, it doesn't—that doesn't apply to you in that population. We are trying to provide those folks—and obviously President Clinton and others had quotes about the goal was to move people into sustainable lifestyles, not permanent dependence.

Ms. LEE. I agree with that goal. However, people are trying to find work. And through no fault of their own, they can't find work. A lot of our job training programs have been cut back. I—I am very concerned by this.

I am former SNAP recipient—food stamp recipient myself, and believe you, me, I couldn't be—I wouldn't be here today had these requirements been in place. You—and again I didn't agree with that—Clinton welfare reform law. And it has really damaged the lives of so many women especially with children. They couldn't finish their college education because of the work requirements.

And so now with the economy the way it is, you know, whether there is a public health emergency or not. People are really—and especially in black and Latino communities, they are trying to find work that pay decent wages. And they can't find it.

Secretary PERDUE. Ma'am, if they can't find work in an economy of three and a half percent unemployment, I am not sure when they can.

Ms. LEE. Mr. Secretary, when you look at the—it may be three and a half percent for the general population, but in communities of colors it is a lot higher. It is twice that.

Secretary PERDUE. And we are continuing to issue waivers. We have issued, I think, 80 something issues waivers for labor market areas under these new rules in 18 different states where there are pockets of unemployment issues.

Ms. LEE. Okay. My time is up. Thank you, Mr. Chairman.

Mr. BISHOP. Thank you, Ms. Lee. I have one other area of inquiry, Mr. Secretary. And I think we will be about ready to close out. It has to do with the swine inspection rule. We currently await the Inspector General's report on worker safety data that was used in developing the swine rule.

When the rule was proposed, USDA claimed that its data showed a likely reduction in working injury rates for those plants that chose to opt into the new system. Experts have warned that there are significant limitations in the data that was used by FSIS to draw its conclusion.

They go on to conclude that quote "It is impossible for FSIS to draw any statistically valid conclusion about worker injury rate differences in the HACCP Inspection Model Program versus the traditional plans". Can you tell us how many establishments have—are expected to opt in and approximately what percent of the pork production would they represent?

And the Inspector General, of course, will soon be completing her report on the data and the other information used to draft the rule. If the report found flaws in the FSIS analysis, will the department stop implementation while you address any of the findings that she yields?

Secretary PERDUE. Mr. Chairman, yes, the—this was decided to go forward based on 20 years of pilot projects, as you may remem-

ber, in five establishments that account for 15 percent of the processed pork in the United States.

This has been tried for 20 years there. The data that we have there in those establishments are the foundation for the data that we provided in that way, which a 20 year pilot project is a pretty long time to evaluate. That was the basis that we felt comfortable moving forward on the Swine Modernization Program that way.

Obviously, if they are a legitimate, factual data that we would already be aware of it. If we—if someone can point us something to accurate numbers that we are not aware of, we would certainly reconsider. Our goal is not to hurt people.

Mr. BISHOP. Right. So the answer is yes if the Inspector General comes up with data that is inconsistent or does not statistically support the implementation of the rule that you will reconsider it. I guess that is the answer based on what——

Secretary PERDUE. Yes.

Mr. BISHOP [continuing]. What you just said.

Secretary PERDUE. If it is valid, irrefutable evidence that is real numbers certainly.

Mr. BISHOP. Because and I—in all candor, these recommendations have been made by various administrations of both parties. So it is not just this administration that has made those recommendation. The industry has been seeking it for a while. And our concern is we just want to make sure that worker safety——

Secretary PERDUE. Yeah.

Mr. BISHOP [continuing]. Is protected, the health, safety, and welfare of the workers and of the public are our paramount concern, and that is the reason that I am asking. And I hope that you would reconsider if in fact the Inspector General's report yields statistically significant problems.

Secretary PERDUE. We share your concern on worker safety and consumer safety. And the answer would be yes if we are determined otherwise.

Mr. BISHOP. Ms. Lee.

Ms. LEE. Very quickly. Thank you again, Mr. Chairman. Okay. Mr. Secretary, let me just ask you about the WIC Program which serves—what—6 million low income women and young children to help ensure that they receive a healthy and appropriate diet at a critical time that is crucial for children's development. So I am sure you agree with this goal of WIC, right, Mr.——

Secretary PERDUE. Yes.

Ms. LEE [continuing]. Mr. Secretary?

Secretary PERDUE. Absolutely.

Ms. LEE. You agree with that. And so when—and I look at the budget though, and I see the request of $5.5 billion which is a level that is $550 million of last year's level. And I am wondering how that was calculated.

I am really puzzled about this because the request as I understand it is based on assumptions of the Nutrition Services Administration's cost. And that level that you assume for the average monthly recipient is $22.44 for fiscal 2021.

And so I am trying to figure out what the cost was for last year, but why would you support this huge—and this is a big cut, $550 million less when the need is even greater?

Secretary PERDUE. Ms. Lee, as you know, the WIC Program is a whosoever will, may come. And they going to be served in that regard. These numbers, we believe fully support the amount of people that will show up. We don't know. We have got lower birth rates. We have had children who are later in life.

What we also see is a hesitancy after the free formula cuts off after a year. People are eligible for two more years, but they don't continue in that regards. We don't know why there has been a lower utilization.

It may be economic issues and others, but these numbers fully support. There is also a reserve if more people came. There is a reserve there that—we are going to serve every person that shows up for WIC services.

Ms. LEE. But it is my understanding that the level last time was $25.85 per recipient per month. Now, this budget—if our calculations are correct—is $22.44.

Secretary PERDUE. I can't——

Ms. LEE. So that is reducing the amount per participant——

Secretary PERDUE. I can't speak——

Ms. LEE [continuing]. Regardless of how many there are.

Secretary PERDUE. I can't speak to that unless it assumes lower number of people wanting to be served. It doesn't make any sense that the per person cost—now, I think that some math, it extrapolates the total there assuming the same number of people show up. The trend line indicates that we don't expect that to happen.

Ms. LEE. Yeah. And I would like to see your trend lines and——

Secretary PERDUE. Okay.

Ms. LEE [continuing]. And the basis for this because from what I know—and this is just anecdotally—the need is increasing, especially in communities where you have high rates of poverty and where you have many low income women and women of color who need WIC.

Secretary PERDUE. Sure. And would you mind if our budget analysist gives you the numbers here?

Ms. LEE. Sure.

Secretary PERDUE. It looks like she has——

Ms. LEE. Mm-hmm.

Secretary PERDUE [continuing]. Some numbers there——

Ms. LEE. Mm-hmm.

Secretary PERDUE [continuing]. That support that.

Ms. NAVARRO. Thank you, Mr. Secretary. So for WIC, the average per person monthly food benefit is actually increasing between 2020 and 2021. So it goes from $41.14 to $41.91. And as the Secretary mentioned, it really is the average participation that is decreasing for WIC.

So for WIC per month, the 2020 budget assumed 6.4 million participants where it decreases by $200 billion. So it goes to $6.2 million—and for all the reasons that the Secretary already cited, lower birth rate being the major factor.

Ms. LEE. Yeah. No. And I would like to drill down a little bit because I chair the taskforce on poverty and opportunity. And this is one program that has been identified as a strategy to lift families out of poverty. And to see it being cut like this tells me we are

going in the wrong direction, but I would like to see how you came up with these numbers. Thank you, Mr. Chairman.

Secretary PERDUE. We are all in for WIC. And whosoever comes, get served.

Ms. LEE. Thank you very much, Mr. Secretary.

Mr. BISHOP. All right, Ms. Lee. Mr. Secretary, Doctor Johansson, and Ms. Navarro, thank you for being here today. We look forward to working with you as we continue the Fiscal Year 2021 Appropriations process. And we will be sending a few additional questions for the record. And we ask that you get your responses to us by the deadline that is set by the subcommittee.

Again, I thank you for your cooperation and for the job that you do. We share the goal of making sure that we continue to produce the highest quality, the safest, the most abundant, and the most economical food and fiber and fuel anywhere in the industrialized world. And we truly want to do all that we can in the legislative branch to help you to do right and to feed everyone.

With that——

Secretary PERDUE. Thank you, Mr. Chairman.

Mr. BISHOP [continuing]. The subcommittee is adjourned.

WEDNESDAY, MARCH 11, 2020.

FOOD AND DRUG ADMINISTRATION

WITNESS

STEPHEN M. HAHN, M.D., COMMISSIONER

Mr. BISHOP. The subcommittee will come to order.

I apologize for my delinquency. I had to come from the Capitol, had another hearing, and so I apologize for keeping you waiting.

Good morning. I want to welcome all of you to today's hearing this morning. Our hearing is to review the Food and Drug Administration's fiscal year 2021 budget request. Our witness is the Commissioner of the Food and Drug Administration, Dr. Stephen Hahn.

Welcome, Commissioner. This is your first appearance before this subcommittee, so we would like to take the opportunity to very cordially welcome you. You come to the agency with an impressive set of scientific and leadership qualifications, and your leadership will be needed, definitely, to navigate the vast and ever-changing issues under the FDA's jurisdiction.

I want to take the opportunity to highlight an issue that is on the minds of many, many Americans right now: coronavirus, COVID–19. The FDA plays a vital role in ensuring the safety and the efficacy of any vaccines, therapeutics, or drugs that are designed to address the coronavirus. It also monitors our medical product supply to identify and to mitigate any shortages that may result from the disruptions the coronavirus has already caused on the global marketplace.

These are issues that we continue to monitor very closely, and we are committed to making sure that the FDA has the authority and the funding that it needs to continue its role.

We hope the recently enacted supplemental appropriations bill will assist the FDA in carrying out its vital job during this crisis. But I do want to note the observation of a leading expert on public health. When asked what went wrong with how the Federal Government handled this crisis, he replied, what went right?

I will have further questions on the administration's handling of the coronavirus outbreak, but I should also note that we continue to actively monitor your efforts related to youth use of vaping products.

The deadline for companies to submit pre-market applications is just 2 months away. Preserving the ability of adults to use vaping devices as an off-ramp from smoking while preventing bad actors and youth-appealing flavors from remaining on the market is a delicate balancing act, and we look forward to hearing more about how you intend to accomplish this while upholding FDA's mission.

I want to thank you for being with us today, and I look forward to today's discussion.

Before moving on, I certainly want to note that our distinguished ranking member, Mr. Fortenberry, is unable to join us this morning. And, at this time, I would like to ask Mr. Aderholt, who is the former chairman of this subcommittee, for opening remarks.

Mr. Aderholt.

Mr. ADERHOLT. Thank you, Mr. Chairman, and good morning.

And good morning, Commissioner Hahn. Good to have you here. And, as mentioned, of course, this is your first appearance before the Appropriations Committee, so welcome, especially, to that. And we have enjoyed over the years working with your predecessors, and so we look forward to working with you as well.

And congratulations on your new job. I know just in December you were sworn in, so still somewhat new to the job, but I know that you have hit the ground running because you have had no choice, with the environment that we are in today.

Under different circumstances, we would probably ask a lot of questions about the fiscal year 2021 President's budget, but I suspect, as has already been mentioned, a lot of our discussion today is going to center around the public threat that we are seeing with the coronavirus.

I plan to focus my attention on a couple of key priorities. One of the issues of how the coronavirus outbreak in China and across the globe has forced us, as a Nation, to examine our critical medical supply chain and the vulnerabilities of our drug and device sourcing overseas. This increased attention to our supply chain elevates another related and much-ignored problem of how FDA treats these drug and device producers overseas versus the production facilities in the United States.

Secondly, I would like to briefly explore what options you think are available to increase competition of generic drugs to make medications more affordable to the people faced with daunting healthcare costs.

When the Health and Human Services Deputy Inspector General appeared before this subcommittee less than 2 weeks ago, she reminded the members here on this dais that over 80 percent of active drug ingredients and 40 percent of finished drugs on the U.S. American market, from ibuprofen to reduce fevers to antibiotics to treat your infection, are produced outside the United States.

These troubling dynamics take on special urgency given the spread of the coronavirus. The FDA has identified at least 20 drugs that exclusively source active pharmaceutical ingredients or finished products from China. FDA also issued an alert that at least one Chinese drug maker has ceased production of a human drug due to the coronavirus infection at a manufacturing site.

And I think it is important that we reduce this national vulnerability and that Congress act to make production of critical drugs and other medical supplies on U.S. soil more attractive. One such option involving FDA is a switch to advanced manufacturing.

As I noted earlier, there is inherent unfairness in how FDA's foreign and domestic inspections are carried out. This could be another reason why production has moved off our shores.

According to the Health and Human Services Inspector General, FDA inspectors routinely conduct surprise inspections in the U.S. to ensure that drug companies are producing medicine in a safe,

clean, and responsible manner. However, when it comes to foreign inspections, FDA customarily gives companies advance notice, often as much as 12 weeks, that enables the drug suppliers plenty of time to clean up their act.

This is counterproductive and creates an unlevel playing field for companies trying to manufacture drugs here in the United States. This is a real problem if our drugs are sourced from over 150 countries, including China and India.

Now, moving on to the issue of generic drugs, one of your predecessors noted that one of the greatest contributions that FDA can make to the cost of medicine is to increase competition with generic drug availability.

One such challenge appears to involve the orphan drug review process. As I understand it, the law allows FDA to grant 7 years of market exclusivity to a drug manufacturer if the drug is intended to treat a disease affecting less than 200,000 patients, or such exclusivity is granted if the manufacturer cannot expect to recover the cost of the drug development and marketing.

While the ultimate policy goal is to incentivize drug development needed by many Americans with rare disease, the act may be used to block competition. Our constituents struggle with the high cost of healthcare, and if this is an area where Congress can help, FDA needs to work with us to fix it as soon as possible.

And so I would appreciate your input today as we move forward through this hearing.

In closing, thank you not only to you but to your dedicated staff for their work around the clock doing their part, too, as we look forward and move forward with this coronavirus outbreak that is affecting not only the United States but around the world.

I thank you, and I yield back.

Mr. BISHOP. Thank you, Mr. Aderholt.

At this time, Mr. Hahn, you can proceed with your opening statement. We will take the entire statement for the record. You may summarize if you would like, or you may take the full time.

Dr. HAHN. Chairman Bishop, Congressman Aderholt, members of the subcommittee, thank you for the opportunity to appear before you today to discuss the President's fiscal year 2021 budget request for FDA.

As a cancer physician, researcher, and leader of complex medical organizations, I have personally relied on and trusted the FDA throughout my own career. It is my sincere privilege and the honor of a lifetime to serve as Commissioner of Food and Drugs.

As the gold standard for protecting health, the FDA is trusted by Americans and admired around the world for its work ensuring the safety, efficacy, and security of our Nation's medical products and the safety of our food supply.

Behind me are the agency's center directors and other agency senior leaders. They represent the more than 17,000 FDA employees who serve the American public. I have been overwhelmed by the professionalism, commitment to public service, and remarkable expertise of FDA employees. I am humbled to be working alongside them, and they work every day to improve the lives of Americans.

I would also like to note that, in addition to their day jobs, they are part of the all-of-government response to the COVID–19 out-

break. Please join me in thanking them for their service to our country.

There are three discrete areas I would like the agency to focus on during my tenure as Commissioner.

The first is unleashing the power of data. The agency has lots of data. Just think about the massive amounts of data that we obtain and create with the thousands of drugs and devices that we review each year. How can we, the FDA, harness the power of these data to help, where appropriate, make us a more nimble and better informed regulator? Utilizing data in a smarter, more modern way can allow us to improve our regulatory decision-making.

The second area we would like to focus on is more outward-facing, and that is empowering American patients and consumers. FDA has done terrific work incorporating a patient- and consumer-focused approach. We want to continue building on this progress, empowering the American public to be even more informed about the products we regulate. In addition, we want to increase our efforts to give consumers the background knowledge and key information they want across all of our regulated products.

And the third area we will focus on is innovation, choice, and competition. We are operating in a time of unsurpassed scientific and technological innovation, and I am proud of the work that FDA has done in promoting such innovation.

In terms of choice and competition, as Congressman Aderholt mentioned, take, for example, our work on generics. Ninety percent of the drugs dispensed in this country are generics. In the previous 3 fiscal years, we have seen record number of generic approvals—900 in both fiscal years 2017 and 2018 and over 1,100 in fiscal year 2019.

We know that more generics on the market means more competition in the marketplace. A recent report found that a 39-percent reduction in average manufacturer price occurred when a single generic was added to the market and that up to a 95-percent reduction in price was seen with six or more competitors. We also have data to show that, for the period of January of 2018 through July of 2018, this saved the American consumer $26 billion.

We want to make this progress in other spaces as well, including biologics, and we know we can. We look forward to further advancing scientific and medical progress of this country while maintaining FDA's gold standard of safety and effectiveness.

I would be remiss if I did not mention our efforts in the COVID–19 outbreak. This is the most recent example, in my opinion, of how FDA adapts and responds to emerging public health issues.

At present, this virus continues to spread and has reached several parts of the globe. As of yesterday, CDC reported 647 cases in the U.S., although we have heard reports in the news that that has increased, and CDC will update its data at noon today.

FDA is playing a central role, Mr. Chairman, as you mentioned, working closely with our public health partners. We are helping our partners to conduct more widespread testing for the virus by issuing emergency-use authorizations. And we are also issuing guidance that allows for laboratories to develop, validate, and immediately use newly developed tests to achieve more rapid testing in the U.S.

We are also working very closely with partners to assist in the development of treatments, vaccines, and other diagnostics for the virus, as well as surveilling the medical supply chain for potential shortages and disruptions.

This is the work of our agency at its finest. As the outbreak evolves, we will be sure to update the subcommittee on our work.

I would like to close by thanking the subcommittee for your continued support of the agency. We all very much appreciate that, including the investments you just provided FDA in the recently passed supplemental bill. As you all know, FDA plays a vital role in protecting and promoting the public health, and this subcommittee's continued interest and support allows us to fulfill our mission.

Once again, thank you for inviting me. I look forward to answering your questions.

[The information follows:]

Statement by
Stephen Hahn, M.D.
Commissioner of Food and Drugs, Food and Drug Administration
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies
Committee on Appropriations, U.S. House of Representatives

Chairman Bishop, Ranking Member Fortenberry, and Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the President's Fiscal Year (FY) 2021 Budget (Budget) request for the Food and Drug Administration (FDA).

First, I would like to thank the Subcommittee for your continued support of the Agency. FDA has received strong bipartisan support throughout the appropriations process in recent years and FY 2020 was no different. I believe this support reflects our shared commitment to the vital role FDA has protecting and promoting the public health. The funding this Subcommittee provides is essential to the Agency fulfilling its mission. The staff of FDA is grateful for your support of their work and the funding increases the Subcommittee provided FDA in FY 2020.

Last year, FDA accomplished a broad array of scientific advances and regulatory actions across our extensive portfolio, helping to improve the daily lives of Americans. Our work included continuing efforts to combat both the opioid crisis and youth-use of tobacco products, expanding efforts on medical device safety, approving a record number of generic drugs, and addressing human food and animal food safety challenges. With the Subcommittee's continued support, we will have more opportunities to deliver on the promises of promoting the health of the public we serve.

Overall, the Budget requests $6 billion in total resources for FDA—an increase of 4.5 percent or $265 million compared to the FY 2020 Enacted Level. This total includes $3.3 billion in discretionary budget authority and $2.9 billion in user fees. The funding requested in the Budget will allow the Agency to sustain its current work—protecting the safety of the food and medical products consumers use every day—and continue to build on these efforts with additional investments. Some of the additional investments include: fostering innovation, choice and competition to bring better and more affordable products to market; unleashing the power of data to strengthen science and efficient risk-based decision making; empowering consumers to make informed choices about the products they use; advancing tools for smarter food safety, and strengthening foodborne illness response; implementing tobacco regulations that protect the

American public, and making key investments in the Agency's infrastructure. As the regulatory Agency responsible for ensuring the safety and effectiveness of more than $2.5 trillion worth of products used by consumers, I assure you that the funds requested are critical investments.

I. Advancing Access to Safe and Effective Medical Products

The Budget request for medical product safety is $3.8 billion, an increase of $140 million above the FY 2020 Enacted Level, which includes increases of $29 million in budget authority and $112 million in user fees. The following section outlines a few examples of the medical product initiatives requested in the Budget.

A. Modernizing Influenza Vaccines

The Budget requests an increase of $5 million across FDA for influenza preparedness activities. This initiative supports the implementation of Executive Order 13887, "Modernizing Influenza Vaccines in the U.S. to Promote National Security and Public Health," to help make the U.S. influenza vaccine supply more robust, secure, and nimble to combat seasonal influenza and potential influenza pandemics. The increased funding will advance key FDA activities including providing scientific and technical support to advance new influenza vaccine manufacturing technologies, expanding the domestic vaccine manufacturing capacity and supporting the development and availability of other medical countermeasures (MCMs) – including antiviral drugs, therapeutics, and diagnostic tests.

B. Transform Medical Device Safety, Cybersecurity, Review, and Innovation

The Budget requests an increase of $18 million to continue building an integrated knowledge management system and portal for medical devices using modern, agile information technology systems with secure data storage. This continued investment would allow FDA to transform the Agency's pre-market review and post-market surveillance programs, which could allow FDA to more quickly identify and address safety signals and cyber vulnerabilities. A new platform also will enable FDA to be more transparent by making additional information on medical device adverse event and malfunction reports available to the public. This system and portal will enable safety issues to be monitored along the total product life cycle of a device. Improved capability to better leverage pre-existing and new data in near-real-time is essential for

implementing FDA's new approaches for digital health technologies, breakthrough devices, use of real-world evidence, and cybersecurity. The system also has the potential to reduce review cycles which is critical to ensuring patients have timely access to innovative, safer and more effective devices. These platforms also will foster interactions between FDA and its customers, provide industry with the ability to send and track premarket submissions electronically, and give patients clearer information about the benefits and risks of medical devices.

C. Compounding

The Budget requests an additional $4.5 million for FDA oversight of human drug compounding. FDA's compounding program aims to address the potential risks associated with compounded drugs, while preserving access to compounded drugs for patients with a medical need. To achieve sustainable success in the regulation and oversight of drug compounding, it is essential that FDA continues to establish a robust compounding program with increased capacity. The additional resources will help FDA to continue to, among other activities, strengthen the scientific framework, develop lists of bulk drug substances that may be used for compounding, bolster regulatory compliance, and expand policy development.

II. Strengthening Food Safety

The Budget request for food safety is $1.5 billion, an increase of $33 million above the FY 2020 Enacted Level, which includes increases of $5 million in budget authority and $28 million in user fees. The following section outlines a few examples of the food safety initiatives requested in the Budget.

A. Smarter Food Safety

The Budget requests an increase of $2 million for emerging technologies related to food safety. Recognizing the rapidly changing landscape of technologies available and the growing need for FDA's engagement on how these technologies can be used to address some of our biggest food safety challenges, FDA plans to launch an initiative called the New Era of Smarter Food Safety. At the heart of this initiative is a focus on efforts to modernize track and trace capabilities that better enable FDA to track products throughout the supply chain – from the time that they are grown or manufactured, until purchased by a consumer, and back through the

supply chain – in the event of an outbreak or recall. In addition, the New Era of Smarter Food Safety initiative recognizes that as more data is captured than ever before, advanced analytical tools such as machine learning and AI could strengthen FDA's predictive capabilities, thereby enhancing our ability to detect potential safety issues with food products and more effectively prioritize inspections and work based on modern risk prioritization techniques.

The Budget also requests an increase of $1.2 million for continued strengthening of FDA's response capabilities for foodborne outbreaks, building on funding increases received in FY 2019 and FY 2020. The increased number of detected outbreaks and subsequent investigations resulting from the success of Whole Genome Sequencing (WGS) of foodborne pathogens has greatly increased FDA's workload to identify and mitigate potential food safety concerns, and we expect this trend to continue. Through additional resources, FDA is building capacity to investigate outbreaks and to prevent future contamination, which helps protect public health.

B. Proposed User Fee Program: Innovative Human Food Products User Fee

The Budget proposes a new user fee program to modernize FDA's regulatory oversight of innovative biotechnology products and emerging human food production technologies. The proposed user fee program will authorize additional resources of $28 million to support increased expertise and scientific review capacity for novel emerging products, including new proteins, new ingredients, and innovative new technology-driven approaches to produce cell-cultured foods. Investments in the program will also allow the Agency to better assist industry as it develops and implements new technologies in food, including biotechnology products through increased transparency, coordination, and predictability of the system.

C. Cannabis and Cannabis Derivatives

The Budget requests a total of $5 million across FDA to support regulatory activities for cannabis and cannabis-derived substances, such as cannabidiol (CBD). FDA recognizes the potential opportunities that cannabis or cannabis-derived compounds may offer and acknowledges the significant interest in these possibilities. FDA is aware that companies market products containing cannabis and cannabis-derived compounds in ways that violate the law and may put human and animal health and safety at risk. Questions remain about the safety of these

compounds. FDA is committed to protecting the human and animal health and improving regulatory pathways for the lawful marketing of cannabis and cannabis-derived products within the Agency's jurisdiction. The additional funding requested will continue to build upon the $2 million funding increase FDA received in FY 2020 by supporting regulatory activities, including policy development, and continued performance of existing regulatory responsibilities including review of product applications, inspections, enforcement, and targeted research.

III. Artificial Intelligence

Research and development of artificial intelligence (AI) has produced transformative technologies that have improved lives and grown innovative industries. The FY 2021 Budget requests $10 million to increase FDA's ability to leverage new AI technologies and to build on expertise and capabilities across the Agency, including the $2 million discussed as part of food safety for tech-enabled traceability. Further employing AI at FDA will transform device and food safety by using the vast data generated on these products.

AI in medical devices promises to drive growth of the U.S. economy and improve patient safety and quality of life. For FDA to keep pace with the innovation in these smart, new medical devices—our regulatory framework must evolve. The additional resources requested in the Budget will allow FDA to lead in the development of appropriate, consensus-based international standards to bring safe, innovative products to market in a predictable, efficient, transparent, and consistent manner. The request will also allow FDA to take steps to ensure products are designed to be customer-friendly.

Expanding the use of AI to food safety, particularly in relation to post-market surveillance and signal detection, will enhance FDA's ability to detect potential problems associated with foods, dietary supplements, and cosmetics. AI will allow the Agency to better leverage data to investigate outbreaks and potential issues with chronic, long-term consumption of food constituents/contaminants or long-term use of cosmetics and will ideally allow FDA to intervene earlier to help remove unsafe products from the market. The Agency ultimately plans to utilize this information to enhance the science that supports protecting public health.

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IV. Tobacco Regulation

The Budget includes $812 million in user fees, including a legislative proposal to increase user fee collections in support of the tobacco program by $100 million and make Electronic Nicotine Delivery Systems (ENDS) manufacturers and importers subject to user fees. Preventing youth access to and use of ENDS remains one of the Agency's top priorities and these additional funds will help the Agency complete this work.

The Budget also proposes to reform tobacco regulation by moving the Center for Tobacco Products (CTP) out of FDA and creating a new agency within HHS to focus on tobacco regulation. This reorganization will also allow the FDA Commissioner to focus on its traditional mission of ensuring the safety of our nation's drug, food and medical products supply.

On January 7, 2020, FDA took further steps to curb youth-use of ENDS and issued a final guidance for industry prioritizing enforcement of premarket authorization requirements for flavored, cartridge-based e-cigarettes—products that we know are appealing to youth. Under this policy, companies that do not cease manufacture, distribution and sale of unauthorized flavored, cartridge-based e-cigarettes (other than tobacco or menthol) risk FDA enforcement actions. In addition, FDA intends to prioritize enforcement for all other ENDS products for which the manufacturer has failed to take (or is failing to take) adequate measures to prevent minors' access, and for any ENDS product that is targeted to minors or whose marketing is likely to promote use of ENDS by minors. FDA began implementing the policy on February 6, 2020, and the Agency looks forward to continuing to work with Congress on this extremely important public health issue.

V. FDA Buildings, Facilities and Infrastructure

The Budget includes an increase of $30 million for FDA infrastructure, which will support rent, utilities, maintenance and infrastructure improvements. The increase includes $14 million in buildings and facilities (B&F) funding, a $2 million increase over the FY 2020 Enacted Level. B&F funding for FDA facilities directly supports FDA's strategic policy areas by ensuring that FDA's owned offices and labs across the country function optimally and empower the FDA's workforce to carry out its public health mission. Improving the condition of site infrastructure and modernizing buildings at FDA owned locations, is essential to strengthening FDA's workforce. In FY 2021, FDA plans to use B&F funding to initiate a variety of projects

that include critical improvements and repairs, reducing maintenance backlogs, and implementing the sustainability goals established in the HHS Sustainability Implementation Plan.

VI. Combatting the Opioid Crisis

Continuing to address the opioid crisis remains one of FDA's highest priorities. FDA regulates the drugs and devices used in the treatment of pain, as well as opioid addiction and overdose, to ensure that the actions taken are in the best interest of public health. FDA is working to improve the transparency of our benefit-risk paradigm for opioids, ensuring that we continue to consider appropriately the wider public health effects of prescription opioids. FDA is taking immediate steps to reduce the scope of the opioid addiction epidemic. We continuously examine our role and policies in the regulation of opioids, drugs and devices used in pain treatment, and in opioid addiction and overdose. FDA continues to accomplish goals laid out under the HHS Opioid Strategy — the comprehensive, evidence-based plan that provides the overarching framework to strategically leverage HHS resources and expertise. As part of the HHS Opioid Strategy, FDA is committed to examining all facets of the epidemic in the United States, including opioid abuse, misuse, addiction, overdose, and death. The issue of opioid misuse and abuse remains one of our highest priorities, and we believe it is going to take carefully developed, sustained, and coordinated action by everyone involved to reduce the tide of opioid addiction and death afflicting our communities; while maintaining appropriate prescribing for patients in medical need. To assist in these efforts the Consolidated Appropriations Act, 2019 (Public Law 116-6) allocated $47 million to support FDA's work on opioids. These funds were directed to support opioid system modeling efforts, conduct studies to improve our understanding of the opioid crisis as well as to create an Opioid Data Warehouse to facilitate large scale data integration and analysis. In addition, the Further Consolidated Appropriations Act, 2020 (Public Law 116-94) provided an additional $8 million that will enable the Agency to continue building out the IMF facilities, develop surveillance programs, improve product targeting, increase staff, and enhance regulatory oversight. The Agency thanks the Committee for supporting our ongoing work to stem the opioid epidemic.

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VII. Conclusion

The Budget request will allow FDA to sustain and build upon our current efforts to fulfill our mission to protect the public and provide a crucial investment toward America's most urgent public health priorities. I would like to thank you again for your continued support of the Agency and for the opportunity to appear before you today. I look forward to answering your questions.

Mr. BISHOP. Thank you very much, Dr. Hahn.

Let me begin the questions.

The U.S. has lagged behind many other nations in its ability to test patients for coronavirus. Administration officials, including you, have made a series of what have appeared to be confusing and inaccurate predictions over the last few weeks about how many tests would be available and when they would be available. People are frightened. They are not being well-served by this lack of accurate information.

Let me run through a series of questions with you.

Did HHS or the White House decide to use CDC tests and to limit them to being used in only 12 labs? If so, why?

Dr. HAHN. No, sir, they did not.

Mr. BISHOP. Okay.

Why did FDA wait a month after the public health emergency was declared and 17 days after problems with the CDC tests were revealed before allowing the use of tests that were developed by non-CDC labs?

Dr. HAHN. Sir, I can go through that if you want.

Mr. BISHOP. Yes, sir.

Dr. HAHN. Okay.

At the beginning of the outbreak—and that was in January, sir—prior to any U.S. cases, FDA reached out to developers who we work with regularly and in the context of past public health emergencies, as we have done in the past, to encourage the development of tests and what we could do to actually facilitate development.

In January, we began collaboration with not only CDC but manufacturers around the development of a diagnostic test. And as you probably know, sir, on February 4 we approved the emergency-use authorization for CDC.

We have, since that time, worked with over 100 developers on the development of diagnostic tests using a template we provided.

And I just want to quote a developer who was quoted in the trade press just recently about this. Commenting on FDA, "They have done all the work. They have even given us a cover letter that they want and said, 'Cut and paste it on your letterhead.' They could not have made it any easier." And this is quoted in the press.

We are now currently engaged with over 50 developers—and we have been over the entire month of February—on what we call pre-EUAs, which is really helping them back and forth on the development of their tests. We review their data as it is generated, and we provide feedback to help them develop those tests, sir.

Mr. BISHOP. Okay.

Now that the FDA is allowing these other labs to develop and use their own COVID–19 tests, do you have an oversight process in place to ensure that the tests are working properly, both prior to FDA's review of the labs' own validations and long-term? And if so, what is that oversight process?

Dr. HAHN. Sir, thank you very much for that question, because I think that is an important point for the American people.

Throughout the response and, frankly, even before this, with the development of diagnostic tests, our role is to provide the scientific rigor around these tests. And I am going to approach this like a doctor, like I am.

If I have a patient in front of me who has come to see me with a question about if they have coronavirus, what I want to know is, when I take that test for that patient, the information that I give to them is reliable. And, in particular, what I want to say is, if the test comes back negative, I have to be sure it is negative, because I know that patient is going to go home and hug grandmom, and we want to make sure that they are truly negative.

This gets to one issue of tests, which is sensitivity, to make sure there are no false negatives. And one of the things we have done throughout this with all of our developers, including CDC, is actually pay a lot of attention to the science behind this.

Sir, you were completely accurate about mentioning that we have recently loosened somewhat our regulatory approach to this to allow individual labs—and most of them are academic lab centers—develop their own tests. These are CLIA-certified labs, so they can perform high-complexity tests.

What we have told them is: You develop the lab. You do the validation that you have always done and we know you do well. You have 15 days to come back and give us that information so that we can do an independent scientific check, but, in the meantime, you can begin testing patients.

Mr. BISHOP. Okay.

Do you have an estimate for how many tests will ultimately be needed? And how do you plan to hit that number?

Dr. HAHN. Thank you, sir, again, for that clarification. CDC would be best to ask regarding the number of tests that will be needed, but I am very happy to take that to Dr. Redfield and get back to you, sir.

But just to give you an accurate number of where we are right now on tests, which is very similar to what we announced at the press conference on Saturday from the White House, all public health labs in this country have tests.

Now, there is some confusion, and we tried to clarify this on Saturday, so I just want to be clear. I am talking about individual tests, not test kits. Now, we send out test kits, or the companies do, and they contain the capacity to do the test. So what I am describing, sir, is the number of tests that would be available.

There are approximately 200,000 tests that have been sent out to the public health labs. CDC is responsible for this and has been in constant contact with them, and particularly in the areas of Washington, California, New York, providing additional tests as needed.

There are two companies, Biosearch and IDT, who have manufactured the CDC test and are presenting those—or selling those around the world. Most of those, sir, are going to nonpublic-health labs. As of this weekend, Saturday, 1.1 million tests were distributed, and we now have 2.486, so close to 2.5, million tests in the system.

Now, with the current testing procedure——

Mrs. LOWEY. I apologize. Several hearings at the same time.

Dr. HAHN. Yes, ma'am.

So, with that 2.486 million tests, the estimate is that over 989,000 patients can be tested with the current testing approach. Dr. Redfield has announced that they are looking at a different ap-

proach that would allow just one swab and one test per patient as opposed to two, which should increase the number of patients who can be tested with what is in the system right now.

And then the final point, sir, I would just like to make is, we have been in touch every day with manufacturers, both about the tests as well as all the reagents that are needed for the tests, with the manufacturers—and there are two of them—who are currently producing and sending out the tests for the CDC test. They tell us that they should have 4 million additional tests out in the system this week. They continue to tell us the same thing. We will update you if there is any change to that.

And, sir, just one last thing. We have been in constant touch and on our website we have frequently asked questions about these tests. We are updating it daily as we get feedback from lab developers. And, today, we are going to establish a 1–800 line so that—for 24/7, we will man it—anybody can come to us and ask us a question about the development of tests and any reagent shortage they might be seeing.

Mr. BISHOP. I apologize for going over my time, but I thought that the information that you were giving was very important and critical, and so I extended my time. And I apologize to my colleagues for that.

But, at this time, without objection, I would like to recognize the gentlelady from New York, the chairman of the Appropriations Committee, out of order, to make sure that she is able to ask some questions before she has to go to other hearings that are ongoing.

And, of course, if she would like to make an opening statement, we will certainly entertain that.

Mrs. LOWEY. You are very generous. I appreciate it.

And I am sorry that I missed your statement, but I think I will go to a question regarding testing and automated approval.

In my home county of Westchester, New York, as you probably know, 108 cases of coronavirus have been confirmed over the past week of 173 statewide. The New York National Guard has been called in to distribute food and sanitize public places within a 1-mile radius where the virus is most dense.

New York is taking aggressive steps to combat the virus by increasing testing capacity and has asked the Federal Government for approval to use additional labs, including at qualified hospitals, State facilities, and private labs, to process tests as quickly as possible.

Things have calmed down a little bit, but I won't repeat a lot of the questions and criticism that the Federal Government has gotten from New York, because they organized quickly, immediately.

So the first question I am asking: When will FDA approve all of the requests of New York State for approval of additional laboratories? And, specifically, when will FDA approve automated testing at all requested sites, which could result in much more rapid testing?

So I apologize if I missed your discussion of testing. Did I? But if you could just answer me.

Dr. HAHN. Yes, ma'am.

Mrs. LOWEY. And you will bear with me if he has already answered it.

Yes?

Dr. HAHN. Congresswoman, I did not answer specifically the New York question. I am very happy to do that.

I received permission early this morning, approximately 6:00 a.m., from Dr. Zucker from the New York State lab to comment about our conversations. We have had extensive discussions daily, several times a day, about the needs of New York State and are providing maximum flexibility for their laboratories.

As you know, the Wadsworth State lab has done a terrific job. They were the second emergency-use authorization that we issued, after the CDC. And they have done a terrific job of developing a test. As they have explored the areas where they want to expand, we have provided them with the appropriate regulatory flexibility.

I understand that we have a call today with Dr. Taylor and our folks here to provide what you are requesting. We just need to understand the full scope of what they want.

They have done the validation testing. And what I did mention, Congresswoman, which is really important, as a doctor, I want to make sure that the test is valid and that the right information is in the hands of the public health officials and doctors so that, if you tell someone they have a negative test, it is a real negative test, and they don't go home, hug grandmom, grandfather, et cetera, and potentially spread disease.

So that is so important, and the New York State labs have done a terrific job. It is hard work, and it takes a lot of effort and scientific expertise. We are working hand-in-glove with them. We should have an answer today on that, Congresswoman.

Mrs. LOWEY. Have you had problems, by the way, in other States of inaccurate testing, shortened periods of time, lengthened periods of time? Or is New York the only State that is doing its own testing?

Dr. HAHN. I am not aware of any inaccuracy in testing. Most of the other States, ma'am, are using the CDC test and the kits that are distributed by the CDC through this company IDT.

However, you know, we are aware that—and this is one of the things that, you know, potentially CDC and Congress could work on—the platforms that are used are varied across the country. There are a number of different commercial platforms.

On our website and what will be available on the 1–800 number I am describing will be all of the flexibility we have given around those platforms. Because it can't just be one platform; we need to use the entire installed base of the country to be able to run these tests.

However, Congresswoman, what is important is that, as we expand to different platforms and different extraction techniques—so you take the sample and you do the extraction to put it in the test—we need to make sure that there is still validity of the tests. Because what we don't want are inaccurate results for the American people. That would make the situation much worse.

Mrs. LOWEY. Thank you.

Now, if I can get to my favorite issue, the looming deadline of May 12, 2020, for e-cigarette manufacturers to submit their products for review. I am worried about enforcement and transparency. FDA likely has already received, or soon will, thousands of pre-

market tobacco product applications. And after May 12, those products that have not submitted an application should be promptly removed.

If FDA does not publicly list the products that applied, how can State and Federal enforcement agencies know whether a product can legally remain for sale? For example, how can we know if Puff Bar puts in an application for mango but not cool mint?

Dr. HAHN. Congresswoman Lowey, as you probably know, we have to protect confidential commercial information. Applications that we receive, as you completely say, by the May 12, 2020, deadline, it will be our responsibility to enforce if we do not receive an application for a covered product, and we will do so.

Mrs. LOWEY. Wait a minute. These products are being sold to the market, to the public. They are not doing this in secret. The public should know which products are complying and which are not.

Dr. HAHN. Congresswoman, I can get all of the information around what we will do when that deadline comes in. I can tell you that that deadline hasn't slipped. We will be receiving applications. For those who have not submitted an application, that will become part of our enforcement against those products that aren't part of the application process.

Mrs. LOWEY. Let's discuss Puff Bar for a minute and disposable e-cigs.

I was optimistic when President Trump said he would clear the market of flavored e-cigarettes. In the end, he listened to his political advisors instead of public health experts and announced a loophole-filled proposal that left thousands of kid-friendly flavors on the market and allowed disposable e-cigarettes to flourish. Now, young people are purchasing cheap, easily concealable disposables.

Are you cracking down on flavored disposable e-cigarettes? And most of these products, and Puff Bar's disposable in particular, are new. They have come on the market after August 2016. Why hasn't the FDA taken them off the market?

I must tell you, I found out about e-cigarettes about 5 years ago from kids in elementary schools, with 60 percent in elementary schools and junior high. What are we doing? Why are these still on the market?

Now, I know you are new to the FDA. And I had many discussions with your previous person. But I don't understand what is going on.

You know, originally here—and I have been in this Congress a long time—the FDA wasn't allowing products on the market until they were reviewing them.

In any event, can you answer that question?

Dr. HAHN. Yes, Congresswoman. If it is okay with you, I would like to go through exactly the questions that you asked. And I——

Mrs. LOWEY. If it is okay with my chairman.

But I think this is an issue that has been challenged for a long time by many of my colleagues, because we are seeing it in their districts as well as mine.

Thank you.

Dr. HAHN. Congresswoman, thank you.

Mr. BISHOP. The chair defers to the chairwoman.

Mrs. LOWEY. Oh, you are very kind.

But I think—I really see the urgency here. And I think—you have been chair of this committee a long time—products shouldn't be going on the market until they were approved by FDA. Something is backward around here. They are on the market. We have to fight to you to review them.

But, in any event, let me defer to you, because of the generosity of the chair.

Dr. HAHN. Thank you, Congresswoman. And I did enjoy our conversation about this—maybe not "enjoy," but it was a very fruitful conversation, I thought. Actually, I did enjoy it.

Just to preface this, the agency takes this issue very, very, very seriously. I am a father, I am a grandfather, and I am a lung cancer doctor. I have seen the ravages of tobacco, and I have sat across from patients who have suffered from that. What I don't want to see are more youth addicted to nicotine and the potential for them to go on to combustible tobacco products.

This is a significant and very, very high priority for the agency. And I want you to know that Director Zeller is behind me. We have a very close relationship. There is not a day that goes by that we don't discuss something related to this subject.

What I can tell you is that we used data from the 2019 Monitoring the Future Study to inform the guidance policy, but it has three prongs. The first is, as you mentioned, the flavors that are most appealing to kids in the cartridge-based ENDS products.

But the second and the third prong are around any product that has—and I can give you the exact wording here—"any ENDS manufacturers that are not taking the appropriate precautions that we find to protect youth are part of our enforcement guidance."

So the products you describe, if we find that in fact they are being marketed to kids or in our active daily monitoring we see those trends, we will act appropriately. And any one, not just kid-attractive, but any one that is marketed—any of these products that is marketed to minors will fall into the same category.

We are, likewise, concerned about alternative sources for kids, such as the disposables, and we are tracking that very closely. And Director Zeller and I promise to be aggressive in the enforcement associated with that.

Mrs. LOWEY. Thank you. Now that we have solved the problem, I will turn it back to the chair.

Mr. BISHOP. Mr. Aderholt.

Mr. ADERHOLT. Thank you, Mr. Chairman.

As FDA knows very well, the men and women of this Nation have an expectation that the Federal Government will protect the health and well-being of its people. Your dedicated professionals there at FDA know this very well. However, our Nation has an inherent vulnerability when drugs are sourced from over 150 countries, including China and India, as I mentioned in my opening remarks.

Just let me just throw out a basic question to you. Do you believe that our drug supply is safe?

Dr. HAHN. Congressman, I want to assure you, this subcommittee, and the American people that we do, in fact, believe that the American drug supply is safe and secure.

I do agree with you, sir, that we need to look at the issues of redundancy of manufacturing, where the sources of active pharmaceutical ingredients are as well as final drug form.

This is an issue of utmost importance, and I think it has been highlighted by what we have found in the coronavirus outbreak, in that we have certain authorities around the medical product supply chain that we can use. With drugs, drug manufacturers are required to tell us if there is a shortage that they are aware of. What we don't have is full and robust information about the supply chain. And this, of course, is what comes to the fore with something like coronavirus.

We have a number of legislative proposals we have put forward, both in the drug, device, and animal drug sphere, that we think will give us additional information to help keep an accurate track of the supply chain.

Congressman, the other thing that I think is really important is what you alluded to, and that is, a longer-term solution is advanced manufacturing. This is certainly a drug supply and a medical product on the prescription drug side but also on the device side as well.

I think we have to do whatever we can to stimulate advanced manufacturing in pharmaceuticals and also to encourage domestic production. I think that will give us the appropriate redundancy and allow us, for essential medications and vaccines in particular, to ramp up when we need to.

Mr. ADERHOLT. And that leads me to my next question. In this latest budget supplemental, we fought for and were successful in providing you with roughly $20 million for advanced manufacturing activities and, of course, new ways for drug and vaccine manufacturers to help entice drug companies to bring production back to the United States.

The $20 million supplemental was in addition to the $38.5 million that Congress provided in the fiscal year 2019 budget.

What is FDA currently doing to entice drug and medical device companies to reestablish their manufacturing base here in the United States?

Dr. HAHN. Thank you, Congressman. A really important question and one of utmost importance, particularly in this time of the coronavirus outbreak.

And thank Congress very much for the support that you have given us over the years. It has been very, very helpful.

We are providing technical assistance and technical guidance to manufacturers. As you know, we have oversight over the manufacturing of drugs as well as biologics and devices. And if we can shift to an advanced or even continuous manufacturing approach, we want to be able to provide guidance about what that oversight would look like so that there is some regulatory certainty for pharmaceutical companies.

And we obviously see this even more and more from the coronavirus, but what we need to do and what the goal of the advanced manufacturing is is to improve the agility, flexibility, and redundancy and to have more information about the supply chain. We want to make sure that we do everything we can to bolster this drug supply to support U.S. and, obviously, international demand.

A couple of things, sir, that we have done with the money that has been appropriated, $38.5 million so far: We have established two new programs to advance the science of technologies around influenza preparedness. So, obviously, that is a really important issue, particularly in light of what we are seeing now with coronavirus. And we have issued a draft guidance to give regulatory clarity, which we are receiving comments on, on continuous manufacturing for prescription drugs. Just two examples of what we have done with the money so far.

In terms of the supplemental funding, thank you very much, sir, for that funding and for all of Congress. It is extremely helpful.

We are currently working through the specifics on our end, but we intend for this to be an all-of-agency approach since it is not just prescription drugs but devices, animal drugs, as well as biologics. And we are intending to pull together a completely collaborative approach on this and build on what we have already done.

Mr. ADERHOLT. My time is about out, so I will wait until the next round.

Mr. BISHOP. Ms. Pingree.

Ms. PINGREE. Thank you, Mr. Chair.

And thank you so much for being here with us today and for the work you are doing, particularly during this challenging time. I know a lot of people at the FDA must be working a lot of hours, and we greatly appreciate that.

It was interesting to read the story that I think was in The New York Times today or yesterday which kind of led us through some of the processes that maybe haven't gone right and particularly some of the challenges in Washington State with who is able to do the testing and did we have information before they were technically able to release it. And I think it is just yet another reminder of all the things that we have been learning about what doesn't go right and what is good in our system.

So, without, you know, looking back at that and second-guessing all that at this moment in time, where we really have to think about, you know, are we on track—and you gave us a lot of very good answers about that.

I did have a chance to talk with our own health department in Maine and our director of CDC in Maine. And we are very fortunate because at this point we are still one of the States that has not had a positive test. But we all know the importance of being prepared and having the capacity to deal with it when we do.

One of the things that he mentioned to me is that we still need to expand the availability of testing to nongovernment labs, like those in hospital systems. What do we need to do to get them on line more quickly?

Dr. HAHN. Thank you——

Ms. PINGREE. And I totally understand as well, I wanted to say, I appreciate your focus on the importance of accuracy and not having negative tests, but one thing that is clear is we don't want to have too many hurdles in the way of getting this capacity out there.

Dr. HAHN. Yes, ma'am. And it is completely a balance, because you are right, we want to have a good test, but, on the other hand,

we can't throw up roadblocks to getting those tests to the American people. Completely agree. That is exactly where the agency is.

So, as you know, we recently issued some guidance, EUA guidance, for flexibility around laboratory-developed tests. Now, who are those people who would do that? They could be a hospital system. They could be an academic center. In fact, most of the ones—and there are 18 of them now around the country who have done this.

What we have told them is, if you are a CLIA—and CLIA is certification process through CMS Laboratory that does high-complexity testing. If you are that laboratory, we know you are a great laboratory. You can go ahead and develop the test. Here are some recipes. Here are the reagents. Here is the information about those tests. You can develop that test. We call it an LDT, laboratory-developed test. You can do the validation, because you know how to do that. Once you are sure and confident to the validation, you get started with that test testing. You can do that.

Now, we are requiring them to just let us know that they have started so that we can keep track of who is doing this. And then within 15 days they come back and give us the validation information. We are doing the check of that.

And that, I think, answers the other question that was brought up: How can we ensure that there is scientific validity there? We are very confident of these labs. They are terrific labs around the country. But everybody needs a second check, and we are prepared to do that.

Ms. PINGREE. So I apologize for my ignorance on this, but are the in-hospital systems that I was being asked about, are they already CLIA, or is that part of the problem, that they have to be certified?

Dr. HAHN. Well, I can't speak to the specific labs, but many large hospitals, certainly the academic labs, are CLIA-certified labs.

Ms. PINGREE. We don't have academic hospitals in Maine, just our big not-for-profit systems.

Dr. HAHN. It could be very well that they are. Our team is very—I mean, I have told you we can——

Ms. PINGREE. We will follow up.

Dr. HAHN. We can definitely follow up on it.

Ms. PINGREE. Yes. Okay.

Secondly, how do we ensure that those labs are sharing the results with State health departments so, as these things are growing, they have the information they need to do the work with the public and the preventative work?

Dr. HAHN. Congresswoman, you are asking all the right questions here. The Coronavirus Task Force that I am a part of, the White House task force, we have been addressing this issue, because what we do need is to develop, like with flu, a system where there is, you know, the ability to report that. CDC—and I believe Dr. Redfield spoke to that today—is working with the White House task force to actually develop that system.

We have information now about public health laboratories, because they do have the requirement to report to CDC. But a nationwide reporting system for coronavirus would help very much to address the issues that you have brought up.

Ms. PINGREE. So do you anticipate—and I can hear you saying maybe this isn't exactly in your domain, but—that we will expand that requirement that other testing labs are reporting to State health departments so that they can track what is going on?

Dr. HAHN. I can't speak for the CDC right now, and that would be a question that is best addressed to them. But, ma'am, we can get back to you with the answer to that question.

Ms. PINGREE. Great.

Well, thank you. I am out of time, but I really appreciate your answers. Thank you.

I yield back.

Mr. BISHOP. Thank you, Ms. Pingree.

Mr. Moolenaar.

Mr. MOOLENAAR. Thank you, Mr. Chairman.

Commissioner Hahn, thank you for being here with us today. And I want to thank you and then all the professionals at the FDA for their work, just ongoing work in protecting public health but also especially during these trying times. So we appreciate that very much.

Dr. HAHN. Thank you, sir.

Mr. MOOLENAAR. I wanted to ask you—on March 9, the FDA and FDC issued warning letters to seven companies for selling fraudulent COVID–19 products. And my understanding is they were asked to respond to the letter to correct the violations, and what I am wondering is, have they responded?

And, also, do you have the resources you need to identify and issue warnings to companies that may be making bogus claims, but also to take enforcement or legal action against these companies?

Dr. HAHN. Thank you, Congressman, for asking that question.

We are taking this extremely seriously, just like we do in all of the medical products space, but particularly during this time. I think you are highlighting a really important point, which is that we do not want false information about what works in this outbreak.

We did announce that we issued these warning letters. I can get more information about the followup with those. I don't have that right now.

But I can tell you that in all the spheres of medical products we have a progressive approach, which includes some of the things that you have spoken about. Again, I can provide more information about that.

Mr. MOOLENAAR. Okay. Thank you.

Dr. HAHN. Thank you, sir.

Mr. MOOLENAAR. Well, thank you for doing that. I think that is important.

Dr. HAHN. Yes, sir.

Mr. MOOLENAAR. Also, I had received yesterday a letter responding to a letter that I and 56 colleagues had sent regarding the use of dairy terms in the labeling of nondairy products, and I want to thank you for that response. We have a lot of dairy in my district. And the use of dairy terms on nondairy products may cause consumers to mistakenly believe that these products have similar nutrient levels as real milk, which is not accurate.

Can you provide us an update on the FDA's ongoing work to provide clarity between dairy and nondairy products to ensure that consumers are not being misled?

Dr. HAHN. Yes, sir. As I mentioned in my opening statement, one of our priorities for the upcoming year is, in fact, empowering the American consumer. And you are bringing up an excellent point, sir. We want the most accurate and up-to-date information in the hands of the American public.

And I share your concern that the labeling of some plant-based dairy alternatives may lead consumers to believe that these products have the same key nutritional attributes as dairy products even though these products can vary widely in their nutritional content.

We have been working diligently. This is a fairly complicated issue, as you know. And we are evaluating and analyzing the full variety of those plant-based products to get the most up-to-date information into the hands of the American public.

We are also aware, sir, of some challenges on the legal side for labeling restrictions, some challenges we have had under the First Amendment. We are working through those, as well, with the agency's lawyers.

But we are working closely with industry on this. We want to hear from stakeholders, industry, also consumer groups, about what is the best information that we can get out.

I want to emphasize also that we are a science- and data-based organization, as you know, and we want the science and the data about nutritional facts labeling to be present on the labels for the American people.

Mr. MOOLENAAR. Great. Thank you.

Also, I wanted to talk with you a little bit about, when Congress passed the Drug Quality and Security Act, we recognized the need for the FDA and States to work together to ensure safely compounded medications. And the language that we put in the—recognized revisions made in the new MOU for human compacting released in September of 2018 encouraged the FDA to work with stakeholders.

And I understand that the goal is to have States sign on, but about half of the States have said that at this point they haven't signed on or aren't willing to sign on. Can you elaborate on the status on this?

Dr. HAHN. Yes, sir. This is a really important point, because we are trying to balance certainly the safety of compounding—as you know, there have been some high-profile outbreaks that have occurred with respect to infections and compounding—but also with not making this overly burdensome on States.

We have received a lot of feedback about this. And just to make it clear from the beginning, we want every State to sign this MOU. That would be really important, because we want to have the cooperation and work very closely with the States.

So we are working hard on the MOU. We are looking at revisions, and we hope to be having something out in the coming months. But, again, just to state, we want as many States as possible to sign this memorandum of understanding.

We also understand completely that access to compounded drugs is critical for some patients, and we don't want to deny that access to those patients. So finding the right balance between safety and getting those drugs in the hands of patients will be really important. It is one of the things that we are doing in this MOU.

And if I have a moment, I can just tell you some of the things that are in the MOU that might help the States. We have increased the threshold for what is called "inordinate amounts" to 50 percent from 30 percent, which should help a lot in terms of advancing this.

We have removed the burden on the States to need to take action when a compounder distributes more than that. And we have allowed them to just notify us so that we have that information, rather than their taking action.

And we also awarded a grant to the National Association of Boards of Pharmacy to actually put together an information-sharing system, which we think will really help the States move forward on this important subject.

Mr. MOOLENAAR. Great. Well, thank you.

And, Mr. Chairman, thank you for that added extra time.

Mr. BISHOP. Mr. Pocan.

Mr. POCAN. Thank you, Mr. Chairman.

And thank you, Commissioner, for being here. I just want to say you do have big shoes to fill. I think Commissioner Gottlieb is someone we all had a great working relationship with, as I know we will as well. I have great respect for him. Yesterday, we had him come to the Progressive Caucus and present. And you don't have a whole lot of, honestly, Trump appointees, American Enterprise Institute employees come by to the Progressive Caucus, but he got it because we respect him so much. So I look forward to having that relationship.

Help me to make sure I understand this. So you said 989,000 people can get tested with the tests that are out there right now. But, as I understand it, we can only process about 16,000 a day right now. So, at that rate, that would take 61.81 days. And if we get it up to 20,000 by the end of the week, what they are hoping for processing, that would still be 49.45 days.

Is that math correct? Am I understanding that we only process that few and that is the reality? You can have tests, but unless they are processed, they are nothing.

Dr. HAHN. Congressman, I think you are heading down the right path in the way of thinking. It is complicated, as you know. There is the up-front processing of the sample, where you extract out what you need to do the test, and then there is how you run the test and the process that you do.

One of the things that we have done—and, again, this is a dynamic process——

Mr. POCAN. Just as quick as possible, because I have so many questions.

Dr. HAHN. I am sorry. Yeah, we are expanding the platforms, both on the——

Mr. POCAN. So where are we today? Are we at 16,000?

Dr. HAHN. I can get that information to you, sir.

Mr. POCAN. But does that sound about right, 16,000?

Dr. HAHN. I can't speak to the absolute number.

Mr. POCAN. Have you seen Scott Gottlieb's——

Dr. HAHN. I have.

Mr. POCAN. Because he put it out there.

Dr. HAHN. I have a huge amount of respect for Dr. Gottlieb.

Mr. POCAN. So do you think he is close to right, or do you think he is way off?

Dr. HAHN. I think that I would want to get you the most accurate information possible, sir.

Mr. POCAN. Okay. And I think it is really important, because it is—it appears not truthful if we say there are 989,000 people that can get tested but you can only process 16,000 a day. That is a real problem. We have to way ramp that up.

So I heard you talking about how you are giving them information, you are having them let us know if they can ramp it up. We should be aggressively ramping this up. If his numbers are right—and I would bet—I would say "my hair," if either one of us had it, that he is right, because he often is—that is a real problem. And I think we should be more honest that we can't process that many.

So that number should be off the top of your tongue right now, I really believe, if we are going to be honest with people. This is the problem that I keep hearing from people. They feel like they are not being told the total truth. And because of that, there is a lot of misinformation.

So, if that 16,000 number is way off, say that. But if it is pretty close to 16,000, we need to get that kind of information out as well.

Dr. HAHN. Yes, sir.

Mr. POCAN. And so I would really appreciate that, like, sooner rather than later, sort of, so we know where we are at on that. Because, again, it is not fair to say there are 2.486 million tests that can cover 989,000 people if, indeed, 16,000 a day. That is 2 months to process that. So I just think that is a really big asterisk, so big it barely fits in the room.

Dr. HAHN. We will get that information to you, Congressman.

Mr. POCAN. Okay. Thank you.

Also, are we facing shortages of—and I have a few different areas—one, the reagents needed to run the coronavirus diagnostic test? Two, of the three drugs that people are being treated with the most, I am going to massacre the names, but ciprofloxacin, azithromycin, and piperacillin? And the final one is, is it true that we are rationing sedatives necessary for people on ventilation as a result of, for example, any serious respiratory illnesses, that those are being rationed right now too?

So I guess the questions are the reagents, those three drugs, and the sedatives.

Dr. HAHN. Congressman, we are aware of pressure in the supply system on the reagents for these tests, and our medical device shortage group has been 24/7 working on this issue. We have a lot of frequently asked questions on our website. I mentioned earlier today we are going to——

Mr. POCAN. Could you just answer those questions——

Dr. HAHN. Yes, sir.

Mr. POCAN [continuing]. Because of my very, very limited time.

Dr. HAHN. Okay. We are out there with the laboratories, providing them alternatives for these reagents. When we become aware of shortages, we are going to let the American people know——

Mr. POCAN. So what is the supply we have right now for reagents? You probably know that off the tip of your tongue.

Dr. HAHN. So we know—we have been reaching folks. We know that there are pressures particularly around RNA——

Mr. POCAN. Is it a 2-week supply that is about what is out there right now?

Dr. HAHN. Again, we have to contact multiple——

Mr. POCAN. We need those—I mean, honestly, no offense, those are not answers you are giving me. Like, those should be at the tip of your tongue right now. We really need to know that.

How about those drugs?

Dr. HAHN. We are not aware of any shortages of those drugs.

Mr. POCAN. Of those three?

Dr. HAHN. Right.

Mr. POCAN. Okay.

And then how about—we were told there is rationing of the sedatives for people on ventilation, and there is a real concern about that.

Dr. HAHN. We are not aware of any——

Mr. POCAN. I am seeing nodding heads, though, behind you from your staff.

Ms. WOODCOCK. Intermittent shortages of propofol.

Mr. POCAN. Okay. Thank you.

But that is the kind of stuff that daily—like, I am not happy CDC is—they were going to only update every 3 days. They took numbers off. They said they were going to put them back up, but their numbers are still way off. I just think this stuff is real important for us too.

In the 30 seconds I have left, I don't know if you can answer this, but who is distributing tests? Who is getting the tests out there? What agency?

Dr. HAHN. Right now—to public or nonpublic health labs?

Mr. POCAN. Public.

Dr. HAHN. To the public, CDC is.

Mr. POCAN. Okay. Do you know this? I was told a military base in Afghanistan that is 75 miles from the Iranian border, they have people who have flu-like symptoms. They are testing negative for flu. There are five known coronavirus cases in an Afghan town a mile away. And they can't get tested. They have no tests for coronavirus.

Do you have any knowledge of that? Because that is something that is really worrying me.

Dr. HAHN. I do not, sir, but if you give us the information, we will go to CDC and work on that.

Mr. POCAN. Yeah. We have contacted the Department of Defense, and, yeah, we should get that out to CDC. Thank you.

Dr. HAHN. Thank you.

Mr. POCAN. Appreciate it.

Mr. BISHOP. Dr. Harris.

Mr. HARRIS. Thank you very much.

And I am sorry China put us behind the eight ball on coronavirus by delaying the announcement of the disease for a month or a month and a half and arresting physicians who actually brought it to light. But that is the way communist countries work.

Commissioner, on the topic of China, I think there is a note here that you have announced that foreign inspections are not going to be conducted through April 2020. You are postponing your inspections outside the U.S.

Now, I have to ask you—because China makes a significant amount of, certainly, raw materials for our drugs, some of our drugs—how can we possibly trust them? How can we trust the safety of the drugs and the precursor that we are going to import from China if we are not going to do inspections?

I mean, the Government in China has already proven they can't be trusted. I mean, you know, they watched for a month, month and a half, they watched this coronavirus epidemic start that now may become a pandemic because of their actions. How can we trust them?

And going to the future, what does the FDA plan to do to make sure of the security of our drug supply from Chinese bad action?

Dr. HAHN. Thank you, Congressman, for that question.

First of all, in the current state, FDA is confident of the safety and security of the American drug supply. We acknowledge exactly what you are saying. We have postponed our surveillance inspections in China and other high-risk areas for the protection of our employees, and we are following the State Department guidance regarding travel.

That being said, for for-cause inspections outside of China, we are taking those on a case-by-case basis and only looking at the most mission-critical and essential travel.

We do have a number of ways that we can look at the safety and security of the drug supply. Inspections are not the only tool that we have. We have something called the PREDICT system, which is a computerized algorithm that allows us to look at where we would assess imports and inspect those imports that are coming from countries that we believe would be at the highest risk. We have updated that system to actually include the fact that we postponed some of these inspections, and that is allowing us to change our screening approach.

Mr. HARRIS. Okay. Thanks.

Just a very brief question about the premium cigar issue, because, look, we have to go after those devices and those tobacco products that are targeted or used by young people, but I don't think premium cigars falls into that category. You know, I have a shop right down the street, and I don't see teenagers going in for it.

So does the FDA plan to provide any further modifications to the applicability of the deeming rule as it relates to premium cigars? Or will the FDA consider delaying the upcoming May compliance deadlines for premium cigars until a resolution can be reached on this very small subset of, really, adult products?

Dr. HAHN. Sir, we acknowledge the importance of this issue as well as the comments you made regarding who uses the premium cigars.

As you probably know, the premium cigar issue is part of an ongoing legal action. We will maintain the May 12, 2020, deadline. That will be maintained.

We do have a number of approaches that we can use with premium cigar makers that will make it easier for them to approach this May 12, 2020, deadline, including the substantial equivalence pathway, and we are glad to share that information.

Mr. HARRIS. Sure. Thank you very much.

Just briefly, on the naloxone co-prescription, I think naloxone is an important tool in our toolbox against deaths from the opioid epidemic. Could you please provide an update on FDA's consideration on recommending co-prescription of naloxone?

Dr. HAHN. Yes, sir. This is actually—you are right—a very important issue for FDA and for the Nation.

We are making efforts just in general around naloxone, for that to be available on the over-the-counter market. That is one issue.

The second is we have designed, tested, and validated the key labeling requirements to facilitate that. And in April we approved the first generic naloxone, as you know.

We are working hard with government officials as well as industry for the co-developed product, sir.

Mr. HARRIS. But very specifically the co-prescription. And you understand, I mean, that is——

Dr. HAHN. Yes, I totally understand.

Mr. HARRIS. I mean, that is one way to get it into the hands or into those households where there is a risk because narcotics are being written into that, you know, prescriptions are written. I mean, what is the FDA doing about co-prescription?

Dr. HAHN. So we are working with industry as well as other government agencies to help in the development of that.

Mr. HARRIS. Of that. Okay.

Dr. HAHN. Thank you, sir.

Mr. HARRIS. And just finally, as you know, I am interested in making certain that, when it comes to cannabis-derived products, that we make certain that they don't—I think that they should be regulated pretty broadly until we have more scientific evidence.

What is the FDA doing about CBD and the very broad—I mean, I don't have my computer. I could search for "CBD"; the first 10 things will claim health benefits of it. What is the FDA doing?

Dr. HAHN. Yes, sir. So we are taking that really seriously. As you know, we have a working group in the agency, and we just issued a report to Congress. Congress gave us money to actually do the sampling so we could have some more information.

We have a knowledge gap, sir, that makes it difficult for us to know how to proceed in several areas. But what I can tell you is the following: We have taken action against companies who have made false claims about CBD products—curing cancer, treating Alzheimer's. And those are the highest-risk areas. We will continue to enforce that.

We are exploring the possibility of some regulatory approaches from an enforcement approach that should help us actually get to the right place and prioritize the highest-risk areas.

Mr. HARRIS. Okay. Thank you very much.

And I yield back, Mr. Chairman.

Mr. BISHOP. Ms. Lee.

Ms. LEE. Thank you very much, Mr. Chairman. Thank you for this hearing.

Thank you for being here. Good to meet you, Commissioner Hahn.

Okay. For the last week I have been drilling down, and my staff has been working on this, I have been doing the research, trying to figure out this whole issue of hand sanitizers.

Lo and behold, I learned that it is considered a drug and subject to FDA oversight. Didn't know that.

Now, manufacturers are required to notify FDA if there is a permanent discontinuance or an interruption in the manufacture of a drug. Yet, I then found that it is only the life-supporting or life-sustaining drugs that they are required to report shortages of.

Now, given the public health emergency we are in, of course the first priority, washing hands for 20 seconds. But second to that is the use of hand sanitizers. I have been in three cities, can't find hand sanitizers anywhere at all.

Many communities, rural communities, unhoused people who are living on the streets, communities of color, a lot of people don't have access to water, and this is the only kind of alternative they have, and these are the directions from our own government to use. But if it is not available or if people can't afford it, what do we do?

So I was looking at alternatives. And New York, of course, now they are using incarcerated workers to produce their own hand sanitizer. And then I said, well, what else can we do since our own government is not telling us what to do? And I had asked Dr. Redfield, Dr. Fauci, Secretary Mnuchin. Congresswoman Norma Torres asked the Ex-Im Bank director, because we heard that, of course, the sanitizer is being exported.

So I decided to try to figure out what to do myself. And so online, there is a recipe for making it yourself. Two thirds cup of rubbing alcohol, one third cup aloe vera gel, mixing bowl, spoon, funnel, two-ounce spray bottle, liquid soap container, masking tape, and pen.

So I am saying this to you because we are telling the public that this is important to have. It is important also even if there is access to water, using doorknobs, you know. Well, you know all of the issues.

And so what in the world is going on? And why is there such—why are we so quiet about it? No one could answer my question. Secretary Mnuchin just said he would take it to the task force because we were told it is the White House task force that is looking at this.

But this is a big issue. It may not seem to be that big of an issue. But if people don't have access or can't wash their hands and this is the only thing they have and our government is telling them to use this and they can't find it, what do we do? Do we make our own?

Dr. HAHN. Thank you for that question, Congresswoman. And I just want to acknowledge something that you said that I think is very important. This is very important for the American people and something that FDA takes seriously.

It is regulated, as you say, under our authorities with drug, with CDER, the Center for Drug. And in that area, drug manufacturers are required to tell us if there are shortages.

We are aware that there are pressures in the hand sanitizer manufacturing. And what we do is we proactively go to manufacturers, talk about their supply, try to match them up with the supply chain, and try to ask them and get them to ramp up the manufacturing. This occurs across the medical products sphere.

Ms. LEE. Okay, but just on hand sanitizers, this is not happening because it is not available.

Dr. HAHN. Congresswoman, I can get you the most up-to-date information that we have about what we are hearing back from manufacturers, because we agree that getting as much out there as possible is important.

Ms. LEE. It is very important. But let me tell you, though, in the meantime, if the direction is to—the public health requirements are to use hand sanitizer short of being able to wash your hands and you can't find it, what do you tell people? What do we tell our constituents?

Do you believe this recipe I just laid out serves us well? I mean, should that be posted as an alternative until the supply is there? Or what do we tell individuals now?

Dr. HAHN. So your question is a good one. I don't know that recipe, and I don't want to give the American people false information about recipes. But we will look at that, yes, ma'am.

Ms. LEE. But people are using this because they can't find this. And then oftentimes when you try to get it online, it is $150. I mean, go and check it out yourself. Nowhere in Washington can you find it.

Dr. HAHN. Yes, ma'am.

Ms. LEE. And so FDA—and I was surprised, and so that is why I am really glad you are here today, now that I found that it is FDA that has the oversight responsibility and manufacturers are required to report these shortages. But somehow you have got to get the word out to people what to do in lieu of this if, in fact, this is not available.

Dr. HAHN. Yes, ma'am. We have a drug and devices shortage group. They are leaning in on this. They are talking to the manufacturers every day. And we have posted on our website all the shortages that we are aware of. I can get up-to-date information to you, Congresswoman.

Ms. LEE. Thank you very much. Thank you, Mr. Chairman.

Mr. BISHOP. Thank you, Ms. Lee.

Mr. Cuellar.

Mr. CUELLAR. Mr. Chairman, thank you so much. And I apologize, we have Homeland, we have Defense committees, and we have Ag, of course.

Dr. Hahn, again, thank you. I want to say thank you for the great work you did at the MD Anderson there in Texas, in Houston. I appreciate all of the work. And what is it, about 140,000 patients that you all look at and people that have been suffering from cancer. And I just want to say thank you for the work that you all do there at MD Anderson.

Dr. HAHN. Thank you, sir. That was all due to the great people in the State of Texas.

Mr. CUELLAR. Thank you so much.

A couple of things. One, compounding. I understand we have to find a balance, making sure we have safety, but at the same time, if there are any folks that do have special needs, and that we set up a scientific framework that works. Because if you look at it, in the old days, when we looked at pharmacy, that is the way they started off. I mean, that is originally, you know, instead of going to the big companies, that is the work that used to be done, compounding.

Tell us what you are doing to make sure that we set up a balanced approach and have a scientific framework that works, protects safety, but still addresses some of the special needs for patients.

Dr. HAHN. Congressman, thank you for that question. And you are absolutely right, this has to be a balanced approach.

We recognize that some Americans very much depend on compounding to get the vital medicines they need. On the other hand, we are aware of outbreaks that have occurred, safety issues that have occurred in the past regarding compounded drugs.

So trying to get the most appropriate framework in place that has the balance there, ensure supply, but at the same time make sure that it is safe as well is really important.

I can tell you a few things that we are doing. We are trying to streamline the processes around this to make it easier for compounders. But also, as you know, we are working on a memorandum of understanding with the States to try to make it less burdensome on them.

We are pushing that forward, hopefully in the next couple of months, but we have had to receive feedback from them, and that is appropriate, and other stakeholders to make sure we get to the right place and achieve this balance.

We are continuing to create the 503 bulk substance list. As you know, compounds are nominated. We have to assess them and add them to the list. And thank you very much. Congress provided us additional funding for that. We can hire some more people to actually expedite that. The sooner we expedite it, the better place we will be with this.

And then, finally, we have created and are bolstering what we call the Compounding Center of Excellence, which really will help us pull a lot of resources together and address this really important issue.

Mr. CUELLAR. Okay. Well, thank you for that work.

Let me bring it to the opioid crisis. Smaller communities are really being hit hard and I just want to see what we are doing to address the issue.

I know all of us have been talking about coronavirus, but we still have so many people that died from opioid overuse. Can you tell us what you all are doing to address that issue, especially helping the small communities?

Dr. HAHN. Yes, sir. You are absolutely right. It is not as if the other issues and challenges that face us go away during coronavirus, and this would be one of them.

Just quickly, my perspective on this is as a cancer doctor who completely understands the need for a balance between making sure these opioids are in the hands of people who need them, but at the same time making sure that we are trying to reduce the dependence on these.

And there are a couple of areas that we are working on. One, as I mentioned earlier, we are working on Naloxone, both as the combination products, but also getting an over-the-counter Naloxone. This is the reversal agent for opioids, which would be a really important thing.

We are also working in chronic pain. So how do we develop abuse deterrent drugs—not we, but innovators around the country—to actually get them on the marketplace to help with what we know are the known factors associated with abuse.

I think it is also really important, we are encouraging manufacturers and research in the area of nonopioid approaches for chronic pain. Because as you know, sir, that is where we have often seen some of the problems of the epidemic, is in the chronic pain situation. And this is an all-of-agency effort, and we are definitely taking this seriously, and just to express to small as well as large communities our concern for this and our ongoing effort to make sure this is a top priority for us.

Mr. CUELLAR. All right. And I certainly understand. I mean, right now the media attention, the Members of Congress, the general public is on. The coronavirus is a serious situation. But at the same time we still have other issues that we need to continue working.

So to your men and women that do a good job, thank you so much. And good to see another Texan.

Dr. HAHN. Thank you, Congressman.

Mr. BISHOP. Thank you, Mr. Cuellar.

Dr. Hahn, there has been a great deal of press attention on the shortage of the N95 respirator mask in the marketplace and the Strategic National Stockpile. We have a national shortage partly due to China shutting down exports of masks that are manufactured there. HHS says that we have about 1 percent of what we would need in a pandemic.

As medical devices, N95 masks are under FDA's jurisdiction. Does FDA know what the supply of those masks is? Can you tell us the most important things that Congress can do to help you address existing and potential interruptions in the supply of medical products in the United States?

The budget request includes a legislative proposal to require medical device manufacturers to notify FDA of potential supply shortages, just as drug manufacturers do. The emergency supplemental provides funding to assist FDA with supply chain interruption work, but it did not provide the requested legislative authority.

Do you still believe that the legislation is needed even with the additional funds that we provided last week? And to get something through Congress fast, would it make sense to limit such legislation to products that the Secretary deems needed for the outbreak, and perhaps to sunset it after the outbreak ends, while we consider long-term measures?

Dr. HAHN. Thank you, sir, for that question. And, yes, we still believe that our request around legislative authority on devices where masks would be in part of are necessary so that we have a more accurate picture of the supply chain.

You bring up a very good point, sir, and this is true for other devices as well as the N95 masks. So just a little background, the N95 masks, there are two different types. One are FDA authorized for the medical situation, and the other are for industrial, authorized by NIOSH.

There is one important difference between the two, and that is high volume or high pressure spray of liquids, such as in the operating room if you are a surgeon and blood is coming your way. So that is the major difference.

What we did to try to increase the supply of these masks is issue some regulatory flexibility, that was Monday, a week ago, to let medical providers know that they should follow the CDC revised guidance about this. You can use either one of those two types of masks. And there is a lot more of those other masks available than the surgical ones that I mentioned. You can use those other masks in the nonsurgical setting. It is all according to the CDC guidance. And we believe that flexibility should help.

I also understand that there are some liability issues around this that manufacturers have mentioned, and that is a separate subject than what FDA does.

I can tell you, sir, that we are in constant touch with manufacturers over the respirator N95 issue. We know that there are spot shortages. We know that there are shortening of the supply chain associated with this and there is demand. We are staying on top of it. If any shortages are identified by FDA, we will let the American public know.

Mr. BISHOP. Okay. Let me switch gears for a moment.

The safety of our food supply is very important, and we have undoubtedly made improvements in our food safety systems. Recent recalls, of course, are reminders that we still have work to do.

Key indicators of FDA's performance are down significantly between 2018 and 2019. Notably, domestic inspections down 18 percent, import visual exams down 25 percent, and import samples down 21 percent.

Congress has funded over 2,700 human food FTEs for the Office of Regulatory Affairs to address this. Unfortunately, at the end of calendar year 2019, the Office of Regulatory Affairs has only allocated 785 positions for the compliance and inspection staff, not to include import and lab staff, who work on food safety.

What accounts for the declines in inspections in recent years in domestic inspections, import exams, and import analysis? And what accounts for their not filling positions in human food inspection and compliance activities?

Dr. HAHN. Sir, I will address the filling positions issue first, because that is a critical need at the agency.

We have spent a lot of time since my arrival at the end of December looking at the issue of human resources and hiring qualified people to do these inspections. We have made a substantial amount of progress in the last 2 months, but we have a lot more

progress to do to get the appropriate people here. And so we are doing everything we can to ramp up the number of inspectors.

The volume of food that comes into this country both from an import point of view but also domestically produced is substantial. We have a couple of different ways that we are approaching this in addition to inspections.

And one of the things that we asked for is additional funding for an artificial intelligence-based approach to this so that we can keep up with the demand around inspections. What this will do is allow us to better target where we need to do the inspections and where it is best for us to look so that we have more information.

We have done a pilot around this, and we have actually determined that we think this can substantially increase our ability to do that.

Mr. BISHOP. But we have funded 2,700 FTEs, but you are only utilizing 785 positions.

Dr. HAHN. Sir, we are working very hard to fill those positions. We have cleared a lot of obstacles just recently on that.

The other point I want to make is that we do depend upon and work very closely with our State partners to do these inspections as well.

Mr. BISHOP. Okay. We would to like to hear a little bit more about that.

Mr. Aderholt.

Mr. ADERHOLT. Thank you.

Dr. Hahn, I am aware that there are therapeutic antibodies that can be used to treat some viruses. Is the use of these therapeutic antibodies something that could treat COVID–19?

Dr. HAHN. Sir, we have been approached by innovators, by developers around this.

So there is a class of drugs called antiretrovirals, drugs that would treat a specific virus, in this case coronavirus. There are monoclonal antibodies, as you describe, that would be another step in the treatment.

We are aware of innovators—and I can't give you specific details about that because of confidential commercial information—who are also looking in that space. And we have been approached by many, and I mean many groups, innovators, manufacturers, around all of these particular therapeutics. And then of course we have the vaccines, which is a much longer-term thing.

Across that entire spectrum of treatment, the antiretrovirals, the monoclonal antibodies, and the vaccine, we are accelerating our work with the manufacturers to get as much regulatory clarity, but also to help them with the development process and to get them into patients as quickly as possible.

Obviously, some of these are new and unproven therapies. They are going to have to go through clinical testing in order to get them into patients on a routine basis.

Mr. ADERHOLT. Is there anything that can be done to help sort of by rapid grant emergency use approval to ramp up this manufacturing?

Dr. HAHN. We would love to work with Congress on this right now. We have the appropriate tools and people to actually interact. We would love to share ideas with you, sir, about what more could

be done to accelerate this. This is, as you can imagine, with the group behind me, a top priority in terms of trying to accelerate the development of these therapeutics.

Mr. ADERHOLT. And we have heard media reports that blood banks across the country are experiencing shortages. To our knowledge, individuals cannot get affected with COVID–19 through a blood transfusion, is my understanding.

Can tell us if you have heard from blood banks and if they are experiencing any shortages?

Dr. HAHN. Congressman, thank you very much for asking that question.

First of all, you are absolutely right, we have no evidence that COVID–19 is transmitted through blood in the blood supply. No evidence of that.

Secondly, we are aware, and it has happened within the last several days, that there are some concerns about people not donating blood because of the restrictions that we might have on group gatherings, et cetera.

Consistent with local health authority recommendations, we encourage Americans to continue to donate blood because this is a vital issue for many Americans around the country.

So let me just state that again. Consistent with local health recommendations about what sort of settings folks should go to, we encourage Americans to continue to donate blood and blood products.

Mr. ADERHOLT. Okay. And of course I know your background is not infectious diseases but rather oncology. But could you tell us, give us a comparison from what your understanding is as a medical doctor and the research you have done, what the casualty rate for just the regular virus is as opposed to COVID–19, for especially say over 65–70 years of age?

Dr. HAHN. So the White House COVID–19 task force is working on this. Dr. Birx and Dr. Fauci are definitely leaning in on this and are doing the modeling associated with this.

I can tell you on a broad scale, because as you pointed out, I am definitely not an infectious disease doctor, the following. This appears to be a particularly problematic and lethal virus for elderly and those with underlying immunodeficiency states. Those who are getting chemotherapy. Those with other coexisting medical problems, in some cases, severe diabetes, dialysis, et cetera. So the mortality rate seems to be higher in those patients.

Interestingly enough, and a welcome bit of information, is younger folks often don't even know they have it even though they have got infected. Now, the interesting thing about that is that is both a good thing, because we don't want them to be sick, but also a negative, because people don't know that they have been infected.

With respect to the mortality, there is a range here. You probably know that there is a range of number of people who die of flu every year, and that can be 10,000, 20,000 according to CDC statistics, all the way up to 65,000 to 70,000.

I don't yet have—and I believe Drs. Birx and Fauci are working on this—the estimates for the exact mortality rate associated with COVID–19. We believe that it is going to be relatively close or perhaps even higher than a bad flu outbreak.

But again, I would recommend, sir, that we wait for Dr. Fauci and Dr. Birx to finish their modeling and let the American people know.

Mr. ADERHOLT. Do you know what, for the regular flu, for those that are, say, over age 70, what the regular flu, the casualty rate is at?

Dr. HAHN. So we know that from the CDC data that those numbers can vary between 0.1 and 0.4. We also know that it can be significant in the elderly. I can take that question to Dr. Redfield and get an accurate answer for you, sir.

Mr. ADERHOLT. Yeah, and I would like to know what compared to, say, with a diagnosis of the coronavirus, how that compares to that age group, you know, if it is, you say 0.4, 0.8, whatever percentage it is for a regular virus, the normal virus that is very common, as opposed to what the coronavirus would be and how those two numbers compare.

Dr. HAHN. Yes, sir. I will ask Drs. Redfield, Fauci and Birx to get those data. And as soon as they are available from them, we will make sure that you all have that.

Mr. ADERHOLT. Thank you.

Dr. HAHN. Thank you, sir.

Mr. BISHOP. Ms. Pingree.

Ms. PINGREE. Thank you very much, Mr. Chair.

I am just going to take an entirely different tack here. So a brief moment of not talking about the coronavirus.

One of many colleagues brought up CBD, and I know, I saw the pained look on your face when that came up. I do appreciate that you submitted the report to Congress last week. It is an issue that has been of great concern to my constituents, the hemp growers around the country. It is, as you know, complicated and it has been challenging.

I think many of us were disappointed that the report didn't provide more clarity in concrete steps forward. I know you are focused on safety, and you reiterated in your testimony today about the companies that are marketing products and the many ways that human and animal health and safety may be put at risk.

But you haven't taken any robust action to issue regulatory guidance that would clear the market. I know you have written some letters, but it doesn't seem like that is enough.

And aren't you concerned that having no guidance and total inaction is actually worse for public health and safety than if you did do something? I mean, right now it is just out there and there are false claims and people aren't sure what to do. So how do you see this timeline moving forward?

Dr. HAHN. Congresswoman, thank you for the question. And I did appreciate our conversation about this. And as we discussed and as I mentioned previously, there has to be a balanced and pragmatic approach here.

These products are out there and we have to acknowledge that. The American people are telling us that they want to use these products because they think they are beneficial. We want to make sure that we have the data to inform those decisions. I am thinking particularly in the dietary supplement side of the world.

So we are exploring this enforcement guidance, just as you state, to provide some clarity, clarity to the American people, clarity to the industry.

It has taken us a bit of time within the agency to get to this point. I am pretty comfortable that we are going to work forward in the next few months to actually get this. We are working through the process within the Department and the White House to get to that point.

And it will be a balanced approach, acknowledging the fact that you can't make claims about cancer, Alzheimer's, et cetera, you really can't target vulnerable populations, pregnant, lactating women, teething rings for babies, and other vulnerable populations, but that we know there are agents out there that people believe could be helpful.

And we need to gather data and do research. And so a major part of our effort is to actually do that and kind of figure out what we can tell the American people.

And then what we do moving forward? Is it more on the enforcement prioritization? Is it rulemaking? We don't want to rush to that judgment until we have the data to make the right decision. But acknowledging 100 percent what you are saying, which is more clarity is needed regarding this from this agency.

Ms. PINGREE. And just to be clear, I have a tremendous number of constituents who see an enormous amount of value in the product, and as you said, are already using it for a whole variety of reasons. I have people who are producing the product. And I think one of challenges is, too, though, legitimate growers, legitimate manufacturers right now sort of knowing that there is just such a plethora of stuff out there and claims out there it makes it hard for the serious producers to really move forward.

The fiscal year 2021 requests $5 million. How do you see that being helpful to accelerate your process? Is that enough money? Where are we with supporting this effort?

Dr. HAHN. Thank you very much for that, because one of the things—I mean, the critical need here, besides getting the enforcement policy forward and providing regulatory clarity, is conducting the research and gathering the data.

We have opened a portal to collect data. We would very much value working with legitimate manufacturers to see how we could gather those data about safety and efficacy. We are so interested in bringing that forward, putting that together, and helping us to inform the right way to move forward.

We are interested in learning about manufacturing, what are the best manufacturing principles, making sure that the content is what it is and what it is said to be. All of those things need to be addressed moving forward.

So we are going to use the funds, both from an informatics point of view, but also to do the research and data collection.

Ms. PINGREE. I also understand that U.K. food safety agency recently provided some advice on the upper limits. Do you communicate with other countries and how they are looking at this, EU counterparts? Do you imagine that there would be an upper limit guidance?

Dr. HAHN. It is a really good question. We have looked at this internally. And I think the context here is really important. And, yes, we have talked to other regulars that can answer that upfront.

But as you probably know, CBD has gone through as an active pharmaceutical agreement through the pharmaceutical—for a drug pathway, and is a part of an approved drug for the treatment of two very serious pediatric seizure disorders.

What we have learned from that is that we do have to be careful on the safety side. Those drugs are terrific for these indications. But it has given some insight into this.

It would be very difficult and not a lot of science and data behind being able to establish that upper limit at this point. And we don't want to put something out that unnecessarily either restricts, but also perhaps makes a mistake on the safety side as well. I don't see that happening right now until we gather additional information.

Ms. PINGREE. Great. Well, I yield back. And thank you very much for your answer.

Mr. BISHOP. Thank you, Ms. Pingree.

Dr. Hahn, a 2017 HHS inspector general report on FDA's domestic food safety inspections included a number of troubling findings, such as, one, the FDA wasted its inspectors' time going to facilities who were out of business or not operating; two, even when inspectors found very serious violations, FDA did not always take actions to remedy the problem, often relying on voluntary actions by the facility; and three, that the FDA consistently failed to conduct timely follow-up inspections. In half of the cases FDA took no action within the year and in 17 percent of the cases it never did a follow-up inspection.

What corrective steps has FDA taken to address these inspector general findings?

Dr. HAHN. Sir, thank you for that question.

We take very seriously the inspector general's findings around this. We discussed earlier that we are hiring inspectors. We are increasing the training of inspectors. We are using other techniques, artificial intelligence, et cetera, to actually buff up the approach that we are taking and have a more targeted approach to this where there is the highest risk associated with the products.

But, again, sir, I want to acknowledge the fact that we totally hear you about those and we are working internally to address all of those and increasing our capacity to do the appropriate inspections.

Mr. BISHOP. Thank you.

The dietary supplement industry has ballooned since passage of the Dietary Supplement Health and Education Act of 1994. This is a $60 billion market, but we don't actually know how many products are out there, because manufacturers are not required to notify FDA of the products that they make.

Your budget asked Congress for the authority to require the disclosure of this information. This is known as product listing. Can you tell us more about why this proposal is needed and what the benefits will ultimately be?

Dr. HAHN. Mr. Chairman, I would like to thank you because you totally laid out the issue here for the agency.

You are right, this is a pretty big industry, and we have limited authorities and resources. Really haven't kept up with the quickly expanding marketplace that we see.

And the American public depends upon us to help reassure them about the safety of some of these products. It is becoming increasing complicated. And our program is actually quite small compared to that market.

So the additional $3 million in resources that this subcommittee previously provided in 2020 will have an impact, both around the guidance we can provide industry but also around the ability to surveil the industry and take action when necessary.

On the authority side, we are seeking those new authorities in the fiscal year 2021 budget to require, as you state, all supplements to be listed with FDA. Because that is the start, sir, is understanding what is out there and then assessing what claims are being made, and that will help us in prioritizing our enforcement actions.

We think this will give us a better understanding of the landscape and it is the beginning of a journey regarding this to help the American people make the absolute best decisions they can.

Mr. BISHOP. Thank you.

Mr. Aderholt.

Mr. ADERHOLT. Thank you. And as we wrap up here, I just got notice that the World Health Organization has declared the coronavirus a pandemic. I understand from the reports that the organization had previously resisted from that classification, but it is now going forward to that. Just your thoughts on that.

Dr. HAHN. Yes, sir. This is typically, as you point out, a World Health Organization designation and I am not privy to what the World Health Organization's thinking is. They have not been willing to call this a pandemic.

Their assessment now, as you point out, and I thank you for that information, is that this fulfills the criteria of a pandemic, which is basically widespread global cases of the coronavirus outbreak.

That doesn't change what we need to do in this country. We still need to take the appropriate precautions that CDC is asking us to do. Wash hands. If you are a vulnerable population, take the appropriate steps.

We recently from the coronavirus task force have a terrific guidance document. It is a two-pager that says: How do you keep your home safe? How do you keep the workplace safe? How to keep schools safe? It has got very practical advice around this. These are the things that the American people need to be doing now, and it is very important guidance, washing hands, social distancing, all of those things.

So the fact that the World Health Organization has declared this a pandemic, as you described, is important information. It doesn't change what we need to do internally to protect the country. And I think we need to address other issues from a travel perspective, and that is what the coronavirus task force is doing.

Mr. ADERHOLT. Let me ask you this, to keep it from people going into hysteria, and especially with the classification as a pandemic.

The average person out there, I assume that if they get a sore throat or if they get a cough or a low grade fever it doesn't auto-

matically mean they have the coronavirus. How do you tell the general public and anybody that gets a sore throat or something to go in hibernation for 2 weeks or is it truly just a sore throat? Is there anything, distinguishing thing that we could be helpful? Because we are going to run into a lot of constituents that are going to have this question, and family members, whatever. So just your advice and comments on that.

Dr. HAHN. Congressman, this is an excellent question and really important for the American people. And there is a lot of guidance from CDC and coronavirus.gov around this. We can help make that available to your constituents.

I am going to go doctor here on you, sir, and that is, if you are a patient who is or a person who is concerned that they might have coronavirus, we recommend that you contact your provider. If you don't have a provider, there are local public health services that you can contact regarding this.

You notice I am not saying go in to see the provider. Let the provider provide guidance about this.

And it all depends on your situation. I will give you couple examples. If you are a 20-year-old with a sore throat, that is a different situation than if you are someone who is getting cancer chemotherapy and you are 60. And the recommendations from your provider will be different, both about what you should do immediately to treat yourself and what you should do from a testing perspective.

So we really very much depend upon our provider base and the State public health officials to provide guidance to patients about this.

A couple things, though, that are general. One is, if you are sick you shouldn't go to work. You should stay home and recover. No matter where you are, you should really at all times wash your hands.

If you are well, you are a younger person, for example, and you are around someone who is a vulnerable person, and this is in the CDC guidance, you should basically act like you might be a carrier of coronavirus to protect that person.

We know that the people most at risk and the most vulnerable are the elderly and those with significant underlying conditions, such as cancer treatment, such as severe diabetes, such as some people with cardiovascular diseases, et cetera. They are all listed on the CDC website, and that is the absolute best guidance we can give the American people.

Younger people are at lower risk, maybe not even knowing they have it, and that is why this guidance. If you are around somebody who is vulnerable, just be careful, you should act as if you have it and protect them.

Mr. ADERHOLT. Okay. Just in concluding, I want to just end by, as we had talked earlier about the treatment of foreign drug inspections. And I know that there is an argument to be made out there by FDA that talks about that there are other ways that you can inspect drug facilities, I think you alluded to it today, and there are other tools that can be used.

But considering FDA's treatment of foreign drug inspections, granting what the Office of the Inspector General says is there is

up to 12 weeks' notice, does FDA treat domestic drug or medical device manufacturers differently?

Dr. HAHN. Excellent question, Congressman. Thank you very much.

So we have the same rigorous standards for foreign as well as domestic manufacturers. Now, there are complications. Some countries where we don't have in-country people we are required to get visas before we go in.

But I want to be clear about something. FDA has conducted foreign inspections that are unannounced. We have done that and will continue to do so when appropriate.

And unannounced inspections only are done for a for-cause basis. So when a reason is identified, such as a report of an injury or an illness related to a product, we can and have done a for-cause unannounced inspection. And pending the travel restrictions that we have now right now, we will continue to do that.

The other point I want to make is that this is a postponement of inspections. This is not a cancellation of inspections. So even the routine surveillance inspections, we are planning to go back and to the best of our ability, depending on how long the travel restrictions are in place, we are planning to go back and do those surveillance inspections.

Mr. ADERHOLT. But is it generally that a lot of overseas companies get 12 weeks, up to 12 weeks' notice at times?

Dr. HAHN. They can at times, but I can tell you, specifically to your question, we have done unannounced visits in both China and India.

Mr. ADERHOLT. Okay. Thank you.

Mr. BISHOP. Dr. Hahn, thank you for being here today. We appreciate you taking time out to share your knowledge. I am sure that the American public is sitting on the edge of their seat listening.

And we wish you success in leading the FDA. We look forward to continue to work with you and to your efforts at the FDA.

We will be sending some additional questions for the record and we ask that you get your responses back to us by the deadline set by the subcommittee.

Again, we would like to thank you.

And with that, the subcommittee is adjourned.

WITNESSES