

costs. The funding allocations in these arrangements have varied depending upon the specific pest or disease and its location. There appears to be a lack of consistent basis for determining how the financial responsibility between the Federal Government and its cooperator is allocated. This has raised questions regarding the appropriate Federal role in light of the large increase in emergency funding transfers by APHIS over the past few years.

This proposed rule sets forth specific cost-sharing percentages to apply to certain emergency program activities, including the payment of compensation. Greater certainty about cost-sharing would facilitate improved planning and funding decisions by the Federal government and its cooperators regarding future plant and animal pest and disease emergency programs.

Need for Regulation

The public good aspect of pest and disease management suggests that prevention, detection, control, and eradication programs are most effectively delivered under governmental guidance. These governmental actions confer direct benefits to affected entities and the public at large. Without such actions by the Federal Government, States, and other cooperators, it is unlikely that affected individuals could or would take sufficient actions to prevent the establishment and spread of exotic pests and diseases of plants and livestock.

Some animal pests and diseases threaten not only livestock but also wildlife populations that inhabit public land. Certain animal pests and diseases may also be transmitted to humans. Because of the interstate movement of livestock and poultry through marketing and distribution channels, animal pests and diseases are further able to spread rapidly beyond a localized area. Rapid response by the Federal Government, States, and other cooperators at the first sign of a pest or disease outbreak is critical to prevent widespread losses. Greater funding certainty would be one way to enhance the timeliness and effectiveness of responses to pest or disease outbreaks.

APHIS, from its inception over 30 years ago, has participated in a variety of emergency programs with cooperators to detect, control, and eradicate pests and diseases of plants and animals. In the early 1990s, emergency programs involving new pest and disease outbreaks were largely associated with fruit fly incursions. When a pest was introduced into the United States on several occasions in the same geographical locations, such as

Mediterranean fruit fly (Medfly) in Florida and California, Federal and State roles became more defined with each reintroduction. Memoranda-of-understanding as well as work plans and cost-sharing formulas were agreed upon on an annual basis. However, since the mid-1990's, there has been a dramatic increase in the number of new pest and disease occurrences beginning with the discovery of Karnal bunt in 1995. The cost to the Federal government has correspondingly risen as it responds to these emergency outbreaks. Given today's highly mobile environment and global agricultural economy, the threat to U.S. agricultural and nonagricultural resources from new pest and disease incursions is ever present. The need for a more consistent and predictable cost allocation approach among program participants is warranted in a world of constrained resources.

Recent occurrences of the highly contagious foot-and-mouth (FMD) disease in the United Kingdom and other countries demonstrate the need for advanced planning to minimize delays in eradicating an outbreak of serious livestock diseases such as FMD. The specific cost-sharing percentages between the Federal government and its cooperators as set forth in this proposed rule would eliminate uncertainty in program funding allocations, which could delay eradication activities. The fixed-formula approach to cost-sharing as set forth in this proposed rule would make resource planning decisions simpler for all parties and lessen the chances for delays in eradication.

Economic Impact

The intent of the proposed rule is to lessen funding uncertainties in conducting emergency programs. An examination of the funding of past emergency programs reveals that cost allocations have often been based implicitly on three factors: The size of the outbreak, the area at risk beyond the initial outbreak, and the commercial interest at stake. The specific percentages for cost sharing as provided for in this proposed rule incorporate these implicit elements. Particular pest or disease outbreaks may necessitate deviations from these percentages. As compared to the current flexible cost arrangement, some redistribution of costs among cooperators may occur due to the greater specificity in cost-sharing percentages. The most significant change in this proposed rule would be the provision that stipulates that the amount of Federal contribution should be based on a specified duration of an infestation or disease occurrence. The

Federal government would be less obligated financially for emergency programs that are extended in time.

This proposed rule specifies a base Federal share of up to 50 percent (*i.e.*, Federal base percentage). If the funding is for an emergency situation which has occurred within the previous 8 months, an additional allotment of up to 30 percent could be added to the Federal base percentage. For emergency programs that are 9 months to 2 years in duration, the Federal contribution could be increased by up to 15 percent above the Federal base percentage. A deduction of up to 3 percent could be applied in situations where the pest or disease affects one or more commercial interests within an area covered by the emergency program.

Pest and disease outbreaks may occur in States that lack the resources or the incentive to make large expenditures. Further consideration may be given to States that are financially unable to contribute. In such cases, the Federal share may increase by up to 10 percent. Up to 20 percent could also be allotted by the Federal government in situations where the pest or disease threat outside the outbreak area may be significant. Such was the case with the recent outbreak of the Asian longhorned beetle, which affected urban trees in New York and Illinois. Should this pest spread to forest trees in the affected States and beyond, the impact could be economically and environmentally devastating.

The application of the cost-sharing percentages as specified in this proposed rule is anticipated to increase the costs to the Federal government in the first 2 years of a pest or disease outbreak because of the Federal additional share (*i.e.*, up to 30 percent and 15 percent) paid, but may lower costs in subsequent years. Table 2 shows that in FY 1999, APHIS spent about \$46 million in emergency funds for three pest outbreaks that would have been subject to the cost-sharing provisions as proposed in this rule. The actual Federal share comprised 55 percent of total program costs. Cooperators contributed the remaining 45 percent of overall program costs (\$37 million). Due to the detection of citrus canker in the previous year, under the proposed rule, the Federal cost share in FY 1999 would have been slightly higher by 2 percent. For FY 2000, the overall Federal contribution to emergency programs, if allocated according to the criteria specified in this proposed rule, would have been lower by nearly \$12 million, and the Federal cost-share would have fallen by about 5 percent. In FY 2001, the cost savings