

gradually replenish a reserve rather than sharply increase fees in the short term to immediately replenish it. GIPSA welcomes all comments regarding the proposed action and encourages the public to submit comments regarding alternatives to the fee structure that would accelerate the replenishment of the retained earnings account and the 3-month operating reserve.

#### *Proposed Action*

GIPSA is proposing changes to the fee schedule to collect fees to recover the cost of services and to recover the administrative and supervisory costs related to these services. The proposed changes include (1) eliminating provisions for the 3-month and 6-month contracts; (2) increasing the 1-year contract hourly rate by approximately 20 percent and the non-contract hourly rate by 47 percent; (3) increasing hourly rates for services not performed at an applicant's facility by approximately 11.5 percent; (4) increasing unit fees for additional tests provided by GIPSA; (5) eliminating the 6-level administrative tonnage fee and replacing it with regional administrative tonnage fees; (6) eliminating the unit fee charged to delegated States for export ships and replacing it with a tonnage fee; (7) increasing hourly fees for special weighing services by approximately 30 percent above the non-contract hourly rate; and (8) establishing a \$500 usage fee per facility when the GIPSA test car is used to test track scales.

*Contract and Hourly Rates.* GIPSA has determined the hourly rates for services performed at export facilities by GIPSA employees do not cover total salary and benefits costs. Despite implementing changes to correspond to annual Federal pay increases totaling 30 percent over the years; salary and benefit costs have increased 36 percent due to increased employee benefit costs, longevity pay and locality pay. Increased employee cost (salaries and benefits) is not the only reason the hourly fees are not covering the costs of services at the export market.

When GIPSA established the hourly rates in 1996, certain assumptions were made to establish those rates. Those assumptions included the historic volume of grain moving through the export facilities, the number of hours needed to load that volume of grain, and the anticipated non-revenue producing time experienced by our employees. Hourly fees, both contract rate and non-contract rate, were established based on these assumptions. These assumptions, however, have not held true over the years due to the changes in grain marketing.

Grain marketing strategies and shortfalls in expected export volume have also had a negative effect on GIPSA's revenue. Since 1996, some grain exporting facilities have automated their material handling systems which requires fewer inspection and weighing personnel to provide service and makes the elevator more efficient. This improved efficiency has triggered a shift in locations where grain is loaded.

Since grain marketing strategies have shifted the movement of grain at the export market, GIPSA needs to re-evaluate the hourly rates charged at these facilities.

GIPSA established a 3-month and 6-month contract rate for facilities that had fluctuating workloads; however, GIPSA had only one 3-month contract and one 6-month contract during FY 2002 and had none of these contracts in FY 2003. GIPSA has learned through the years of contracting that it is extremely difficult to accurately project an employees non-revenue producing time when utilizing 3-month and 6-month contracts. Therefore, GIPSA has decided it is best to provide service with either a one-year contract or with the non-contract rate. Therefore, GIPSA plans to abolish provisions for the 3-month and 6-month contracts.

GIPSA conducted a detailed, port-by-port evaluation of its costs and revenue streams for both contract and non-contract employees. GIPSA found that payroll increases caused by grade increases, longevity pay, and locality pay have exceeded the cost-of-living increases that GIPSA has charged annually. Further, GIPSA found that changes in grain distribution have increased non-revenue periods for certain workers. The evaluation showed the actual level of revenue-producing time likely to be expected from contract and non-contract workers. Based on its evaluation, GIPSA has determined that to adequately cover service costs and start to replenish its reserves, it is necessary to increase the annual contract rate by approximately 20 percent and to increase the non-contract hourly rate by approximately 47 percent in order to recover the costs of the pool.

GIPSA also charges hourly fees for services performed at other than export facilities. These fees are designed to recover GIPSA employee salary and benefits costs along with a portion of administrative and supervisory costs. Again, despite fee increases to accommodate the annual Federal pay increases, the current fees do not sufficiently cover costs. Like the employee costs at export, employee service costs and employee

administrative costs have increased due to increased employee benefit costs, increases in payroll caused by longevity pay, and increases in payroll due to locality pay. Costs not related to employees have also increased. These local and national administrative costs include rent, communications, utilities, and other administrative support services. Based on its evaluation, GIPSA identified the costs and determined these hourly rates need to increase by approximately 11.5 percent to recover the additional costs.

*Unit Fees.* In addition to hourly fees, GIPSA also charges unit fees for additional services. These unit fees are charged in addition to the hourly rate when the services are provided at an applicant's facility in an onsite laboratory. These unit fees are based on the cost of equipment and supplies needed to conduct the test. GIPSA also charges unit fees for services performed at other than an applicant's facility in a GIPSA laboratory and for some miscellaneous services. These unit fees are designed to recover the direct costs of the services (salary, equipment, and supplies) along with administrative and supervisory costs. GIPSA has not made any adjustments to the unit fees for services provided at an applicant's facility in an onsite laboratory since the fees were first promulgated in 1996. Due to the increased costs for providing services, GIPSA proposes to adjust the unit fees in section 800.71 to reflect these costs.

As GIPSA updates these unit fees, it also provides GIPSA a chance to remove obsolete services from the list. At one time, GIPSA offered aflatoxin tests using the thin-layer chromatography (TLC) method. GIPSA discontinued the use of this test in 1998 because of the hazardous chemical materials required to conduct the test and rapid test kits were available for field use which were safer and less expensive. GIPSA is removing the method from the fee schedule since this test is no longer available. The unit fee for aflatoxin will recover the costs of the quick test kits currently used at field offices.

*Administrative Tonnage Fee.* GIPSA also utilizes a 6-level tonnage fee designed to recover the local and national administrative and supervisory costs which are not covered by unit fees and hourly fees assessed at other than export facilities. This fee is only charged to facilities in the United States that have export grain inspected by GIPSA.

The 6-level administrative tonnage fee is designed to reduce fees as the inspection volume increases. These fees have also been adjusted through the years to reflect the annual Federal pay