

production are some of the issues that influence the changing grain market.

Since implementing the fees in 1996, GIPSA has adjusted hourly fees to correspond with annual Federal pay increases. This action is necessary since employee payroll costs account for approximately 84 percent of GIPSA's total operating budget. Although these fee adjustments were made through the years, GIPSA costs continue to exceed its revenues.

GIPSA recognizes the need to reduce inspection and weighing costs as much as possible before increasing fees. Therefore, GIPSA has taken action through the years to minimize payroll costs. These actions include utilizing employee buyouts to remove high-salaried, senior employees from the active employment list; taking advantage of employee attrition to reduce total staff by not hiring to fill vacant positions; hiring and scheduling more part-time and intermittent employees to better manage staff costs during fluctuating work periods; and reducing the amount of paid overtime via creative scheduling processes. Although GIPSA has observed a 14 percent reduction in paid hours and has reduced overtime pay by 2 percent, this is not enough to avoid continued financial losses.

GIPSA's financial review detected where the program losses were occurring. GIPSA has determined the hourly fees for services performed at the export elevator are not recovering the full cost of the pool. The base salary and benefits for the pool have increased beyond the annual Federal pay increase adjustments. Locality pay was not factored into the yearly cost-of-living increases nor was longevity pay increases. When the current fee was first established in 1996, the base contract hourly fee was based on a GS-9, step 5 pay level which was the average pay level for the pool. Today the average pool pay level is a GS-9, step 8. This equates to an average additional annual salary cost of \$3,500 per GS-9 inspector. Locality pay may also increase this cost by an additional 9 percent to 18 percent depending on the geographic location of the employee.

Benefits paid to employees have also increased. In FY 1996, employee benefit costs averaged 19 percent. Since that time, overall benefit costs have increased 6 percent and now average 25 percent. Many factors have led to this increase. Health and life insurance premiums have increased along with Office of Worker's Compensation Program (OWCP) costs. GIPSA pays all OWCP costs since the government is self insured. Since FY 1996, some

employees have converted to the new Federal Employees Retirement System (FERS) and all new employees are in FERS. The FERS is patterned after a typical retirement system used by non-Federal companies in that the employer must pay into social security and matches contributions into a 401(k) plan.

Grain marketing strategies and export volume have also had a negative effect on GIPSA's revenue. Since FY 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 export grain is loaded. For example, the New Orleans Field Office facilities increased their export capacity from 72 percent of the total tons serviced by GIPSA in FY 1996 to 78.6 percent in FY 2002. During the same timeframe, the League City Field Office export tonnage decreased from 13 to 12 percent and the Portland Field Office volume declined from 10 to 7 percent. These market shifts resulted in less revenue being collected per metric ton than originally planned because of the 6-level administrative tonnage fee. The New Orleans Field Office exports average revenue was \$0.048 per ton in 2002 while League City average revenue was \$0.090 per ton and Portland's average revenue was \$0.098 per ton. GIPSA estimates this shift in grain movements resulted in a revenue loss of approximately \$660,000. Further, billable tonnage is not reaching the 85 MMT targeted in the 1996 fee schedules as the break even point. Therefore, revenue predictions based on billable tonnage were higher than what was actually billed.

GIPSA has evaluated the administrative tonnage fee and determined it is not recovering its share of local and national administrative and supervisory costs because of increased employee costs not related to annual pay increases, shifting grain exports to lower revenue per ton markets, and exports not reaching the 85 MMT mark to break even. Local and national costs such as rent, communications, utilities, and other administrative support services have also increased since 1996. Adjustments to the fees during the years have not compensated for these cost increases.

As GIPSA reviewed its financial status, it also concluded that unit fees are not recovering the cost of providing the service, supervision fees charged to delegated States for ships are not sufficient compared to the quantity of

grain that is inspected and weighed, and the track scale testing program is not producing the revenue needed to maintain the testing program.

GIPSA charges unit fees for additional services provided at an applicant's facility in an onsite GIPSA laboratory. These unit fees are charged in addition to the hourly rate. These unit fees are designed to recover the costs of the equipment and supplies needed to provide the service. GIPSA has not made any adjustments to these unit fees since they were first promulgated in 1996.

Currently, GIPSA assesses \$49.20 per ship to delegated States for providing official inspection and weighing services. This fee is collected to recover administrative and supervision costs of the official agencies. GIPSA has determined the delegated States should be contributing \$0.016 per ton towards administrative and supervisory costs. However, the \$49.20 per ship fee is only recovering an amount equivalent to \$0.00086 per ton.

GIPSA also provides special weighing services to the industry. These services include scale testing and certification, evaluations of weighing and material handling systems, National Type Evaluation Program scale evaluations, mass standards calibration and reverification services, and special weighing projects. GIPSA provides these services through scale specialists located at certain field offices and in headquarters. Scale specialists are in a different job classification and grade level than inspectors or weighers because of their unique responsibility. Consequently, they are classified at a higher grade level. On average, scale specialist costs are 30 percent higher than the cost of agricultural commodity graders. Therefore, GIPSA needs to set the hourly fee for special weighing services at a level approximately 30 percent higher than the fee established for non-contract services.

The track scale testing program also uses special weighing equipment (test cars) to test track scales. These cars require maintenance and need to be replaced in the future. To assist in recovering the costs associated with these railcars, GIPSA would charge a \$500 unit fee each time the car is used at a facility.

GIPSA has concluded that despite efforts to reduce the cost of services, including administrative and supervisory activities, the revenues collected from the current user fees are less than the costs associated with these services. Consequently, GIPSA must re-evaluate the design and application of user fees to recover the costs of