

Questions and Answers: AQI Program Cost and Fees

Q: What is the Agricultural Quarantine Inspection (AQI) Program?

A: The Agricultural Quarantine and Inspection (AQI) program, like those in many other countries plays a critical role in facilitating the safe trade of agricultural commodities while protecting U.S. agriculture and the environment from invasive plant and animal pests and diseases. As volumes of international trade and travel increase, so do the risks that foreign animal and plant pests and diseases can enter and establish themselves in the United States. Invasive pests cost our nation an estimated \$120 billion each year in damages to our environment, agriculture, and native species.

USDA's Animal and Plant Health Inspection Service (APHIS) and the Department of Homeland Security's Customs and Border Protection (CBP) work together to carry out AQI program activities to intercept foreign animal and plant pests before they can enter the country. Under the program, APHIS tracks emerging and new pest situations around the world; assesses and analyzes pest risks and pest movements in trade; develops and applies methods to reduce pest risk and movement in trade; develops passenger and cargo targeting, sampling, and inspection protocols; inspects live plant shipments; and monitors and stops illegal movements of agricultural goods in foreign commerce. CBP conducts pre-arrival analysis, targeting, selectivity, and examination of international passengers' baggage, commercial commodities, containers, commercial vessels, trucks, aircraft and railcars at U.S. ports of entry to determine compliance and entry status using APHIS' regulatory protocols.

Q: Why did the AQI user fees need to be adjusted?

A: Through the Food, Agriculture, Conservation, and Trade Act of 1990, also called the FACT Act, Congress authorized the Secretary of Agriculture to

prescribe and collect user fees sufficient to cover the cost of providing AQI services. This includes services provided in connection with the arrival at a port in the customs territory of the United States of commercial vessels, commercial trucks, commercial railroad cars, commercial aircraft, and international passengers. It also includes maintaining a reasonable balance, also referred to as a "reserve," to ensure that funding is available in the event that there are temporary reductions in the demand for AQI services leading to reduced fee collections.

Congress intended with the FACT Act to shift most of the program's costs from taxpayers to the people and the owners and importers of the goods whose entry into the United States created a risk of introducing pets and diseases. However, in recent years, fee revenue has been insufficient to cover program costs, making it necessary for CBP to rely more heavily on appropriated, taxpayer funds that could be available for other important functions and initiatives. Other than minor adjustments for inflation from FY 2004 to FY 2010, the fees have not changed, even though CBP has hired hundreds of additional inspectors to meet the increasing need caused by a large increase in arriving international passenger and cargo traffic. This has resulted in a shortfall in the fees we collect.

Q: Why did APHIS lead the effort to adjust the fees if most of the funds will go to another federal agency?

A: Section 2509 of the FACT Act authorizes the Secretary of Agriculture to prescribe and collect user fees for AQI services. Since APHIS is the only Federal Agency that has the authority to collect fees associated with the AQI program APHIS has a responsibility to ensure that it is run effectively regardless of the allocation of revenue between APHIS and CBP.

Q: How does adjusting AQI fees help protect American agriculture?

A: Agriculture is our country's largest industry and employment sector, adding more than \$330 billion to the economy. Experts project that the value of U.S. agricultural trade alone will likely exceed \$250 billion in 2015. The AQI program plays a critical role in safeguarding U.S. agriculture from invasive plant and animal pests and diseases and facilitating safe international trade.

By adjusting AQI user fees, the U.S. Government will ensure that the AQI program generates adequate revenue to continue operating at a level sufficient for minimizing the risks of introducing agricultural pests and diseases into the United States. Without these fee changes, CBP would have to reduce the number of agricultural inspectors at ports of entry or divert increasing amounts of appropriated funds that should be available for other important homeland security functions and initiatives to continue its activities to safeguard American agriculture.

Q: Who will be affected by the fee changes?

A: AQI user fees are paid by those who receive AQI services. This includes international airline passengers and the operators of commercial aircraft, commercial maritime vessels, commercial trucks, and commercial railroad cars. Under the new fee schedule, cruise ship passengers and importers of shipments requiring a phytosanitary treatment will also pay fees. Fees will be lowered for international air passengers and commercial cargo railcars at ports of entry.

APHIS considered a number of alternatives for revising AQI user fees. The changes will result in the smallest increase in user fee revenues while ensuring we safeguard against the entry of pests and diseases, cover the costs of AQI services, and maintain a reserve fund. This approach also minimizes as much as possible the use of appropriated funding and any impacts to U.S. output and employment.

Q: Which fees changed?

A: The inspection fees for commercial vehicles, trucks, and aircraft increased. In each of these categories, previous fees did not generate enough revenue to cover the costs of the AQI services provided. The difference between the revenue collected and the actual costs was borne by taxpayers (through congressionally appropriated funding).

The inspection fees for international air passengers and commercial cargo railcars at U.S. ports of entry were lowered. In both categories, the previous fees generated more revenue than was needed to cover the costs of the AQI services provided.

Two new fees were added to recover the costs associated with inspecting international sea (cruise) passengers and for service to monitor and confirm phytosanitary treatments of imports. Previously, there was no charge for either of these activities. However, these services generate a significant amount of work and additional costs for APHIS and CBP. Instituting fees for these services will help us recover the costs of providing these services.

Q: What are the new fees?

A: In most cases, the new AQI user fees are less than the amounts proposed in 2014, helping to relieve some burdens that might have been created by higher fees while still more accurately aligning fees with the costs of providing necessary AQI services.

User Fee Class	Previous Fee	2014 Proposed Fee	New Fee
Air Passenger	\$5.00	\$4.00	\$3.96
Commercial Aircraft	\$70.75	\$225.00	\$225.00
Commercial Cargo Vessel	\$496.00	\$825.00	\$825.00
Commercial Truck	\$5.25	\$8.00	\$7.55
Commercial truck with transponder (one annual payment)	\$105.00	\$320.00	\$301.67
Commercial cargo railcar	\$7.75	\$2.00	\$2.00
Commercial vessel (cruise) passenger	no fee	\$2.00	\$1.75
Treatment (1)	no fee	\$375.00	\$237.00

(1) The fee for AQI treatment services will be phased in over 5 years: first year, \$47, second year, \$95, third year, \$142, fourth year, \$190, and fifth year, \$237.

Q: What is a commercial truck transponder?

A: A transponder is a sticker that contains an electronic chip that transmits information about the vehicle's user fee payment status. Commercial trucking companies can choose to pay for inspection services at each border crossing or they can purchase a transponder and pre-pay for a set number of inspections. Most trucks with transponders cross the border an average of 106 times. The new fee is equivalent to the standard fee for 40 crossings. When averaged across the actual number of transits (on average is 106 crossings), the fee per crossing is significantly less than the standard rate for trucks without transponders. Transponders not only save truckers money by offering them a reduced fee for inspections, they also decrease wait times at the border by at least 10 minutes because they've prepaid for their AQI services and don't have to wait in line to pay the cashier. Transponders are purchased from CBP and are good for one year.

Q: How were the new AQI user fees calculated?

A: An independent accounting firm reviewed the user fee schedule using industry recognized processes and best practices to provide a clear cost accounting

of how much it actually costs to deliver AQI services. The review also calculated the future costs of the program based on improvements both APHIS and CBP must make, projected program growth rates, and expected changes in imports and international passenger volumes. Once the unit costs for each service category were determined, an additional 3.5% was applied to each fee to generate revenue to fund the AQI reserve.

Q: How did APHIS keep stakeholders informed?

A: Throughout the process, we held a number of meetings with stakeholders to share the methodology for the review, provide a detailed overview of the study findings, and present the proposed fee changes. We also published a proposed rule in the Federal Register to solicit public comments on the proposed fee changes.

Q. How were commenters concerns taken into account in the final rule?

A. Each comment was carefully evaluated by subject matter experts and addressed in the final rule. We took those comments very seriously and made changes in accordance with them. The preamble to the final rule addresses those comments specifically.

Q. Was there any way to avoid user fee increases?

A: The U.S. Government considered a number of alternatives. While CBP receives approximately 63% of the total program revenue, they have had to supplement this revenue with as much as \$225 million in appropriated funds annually. In addition, the fee rates by category had diverged significantly from the costs by category. Most dramatically, it was clear that the air passenger and rail car fees were too high, while the air and sea cargo and truck fees were too low. To address both issues, the Government Accountability Office strongly urged APHIS to pursue fee changes.

Q: When will the fee changes go into effect?

A: The new fees will go into effect 60 days after the publication of the final rule. The fee for AQI treatment services will be phased in over 5 years: first year, \$47, second year, \$95, third year, \$142, fourth year, \$190, and fifth year, \$237.

Q: Are the fee changes counter to U.S. commitments under any international trade agreements?

A: The AQI fee adjustments are consistent with the United States' international trade obligations. The adjusted fees will ensure adequate resources for agriculture inspection at U.S. borders, helping to support and facilitate safe international trade.

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