

CRS Report for Congress

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Appropriations for FY2005: U.S. Department of Agriculture and Related Agencies

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The annual consideration of appropriations bills (regular, continuing, and supplemental) by Congress is part of a complex set of budget processes that also encompasses the consideration of budget resolutions, revenue and debt-limit legislation, other spending measures, and reconciliation bills. In addition, the operation of programs and the spending of appropriated funds are subject to constraints established in authorizing statutes. Congressional action on the budget for a fiscal year usually begins following the submission of the President's budget at the beginning of the session. Congressional practices governing the consideration of appropriations and other budgetary measures are rooted in the Constitution, the standing rules of the House and Senate, and statutes, such as the Congressional Budget and Impoundment Control Act of 1974.

This report is a guide to one of the 13 regular appropriations bills that Congress considers each year. It is designed to supplement the information provided by the House and Senate Appropriations Subcommittees on Agriculture. It summarizes the status of the bill, its scope, major issues, funding levels, and related congressional activity, and is updated as events warrant. The report lists the key CRS staff relevant to the issues covered and related CRS products.

NOTE: A Web version of this document with active links is available to congressional staff at: [http://www.crs.gov/products/appropriations/apppage.shtml].

Appropriations for FY2005: U.S. Department of Agriculture and Related Agencies

Summary

As the first step in the budget and appropriations process, the Administration released on February 2, 2004 its budget request for FY2005. The Administration's budget contains an FY2005 appropriations request of \$82.9 billion for the U.S. Department of Agriculture (USDA) and Related Agencies, which includes all of USDA (except the Forest Service), as well as the Food and Drug Administration and Commodity Futures Trading Commission. The House completed action on its version of the FY2005 agriculture appropriations bill (H.R. 4766, H.Rept. 108-584) when it passed the measure with various amendments on July 13, 2004. Senate action on its version of the FY2005 agriculture appropriations bill is pending.

As passed by the House, H.R. 4766 contains total funding of \$83.2 billion, which is approximately \$283 million above the Administration request and \$3.4 billion below the FY2004 enacted level. An estimated \$66.4 billion, or nearly 80%, of this spending is for mandatory programs administered by USDA. Most of the reduction in the total appropriation is primarily attributable to improved farm commodity prices in recent years, which have contributed to a reduction in required mandatory spending for farm commodity support under the 2002 farm bill.

For all discretionary programs, H.R. 4766, as amended on the floor, contains approximately \$16.84 billion, which is roughly \$70 million above the allocation given to the agriculture appropriation subcommittee by the full committee. This is the category for which appropriators have direct control over annual spending levels. The \$16.84 billion in recommended discretionary spending is \$2 million more than the enacted FY2004 appropriation and \$272 million above the Administration's FY2005 request. In order to meet an FY2005 allocation that was below the FY2004 enacted level, appropriators, as in past years, placed limitations on authorized levels of spending in the 2002 farm bill for various mandatory (non-appropriated) conservation, rural development, and research programs. In total, House appropriators reduced authorized FY2005 spending levels for these programs by \$1.2 billion (compared with \$646 million in FY2004), and applied those savings toward meeting the discretionary allocation.

Among its other major provisions, H.R. 4766 also (1) rejects an Administration proposal to fund technical assistance for two mandatory conservation programs with a new FY2005 discretionary account; (2) provides funding increases for animal and plant pest and disease surveillance and eradication, including an expansion in funding and oversight for bovine spongiform encephalopathy (BSE or mad cow disease) activities; (3) reduces spending for discretionary rural development programs by \$86 million (from \$2.45 billion in FY2004 to \$2.36 billion in the House bill), but provides \$152 million more than the Administration request; (4) provides full funding for domestic food and nutrition programs, including food stamps, child nutrition, and WIC; and (5) prohibits FDA from using funds to enforce the current statute that bans importation of prescription drugs by parties other than drug companies.

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Appropriations for FY2005: U.S. Department of Agriculture and Related Agencies

Most Recent Developments

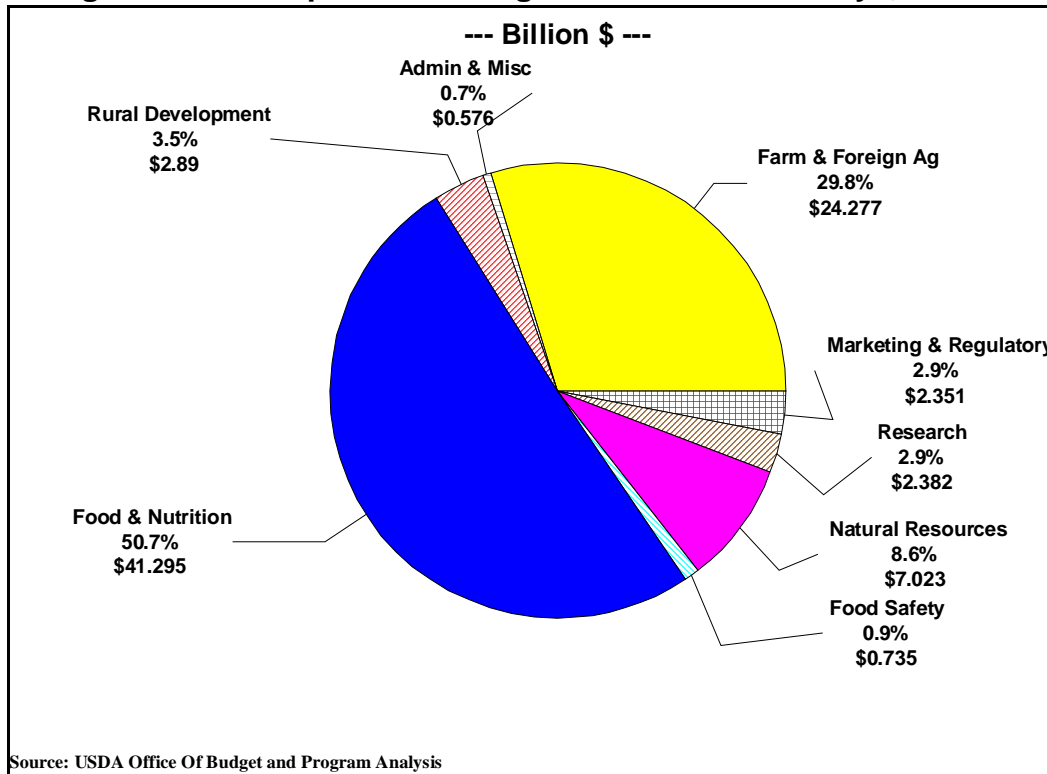
On July 13, 2004, the House passed the FY2005 agriculture appropriations bill (H.R. 4766, H.Rept. 108-584) by a recorded vote of 389-31. As passed, the \$83.2 billion measure includes approximately \$16.84 billion in discretionary spending, which is \$2 million above the FY2004 enacted level and \$272 million above the Administration's FY2005 budget request. Senate action on its version of the measure is pending.

USDA Spending at a Glance

The U.S. Department of Agriculture (USDA) carries out its widely varied responsibilities through approximately 30 separate internal agencies and offices staffed by some 100,000 employees. USDA is responsible for many activities outside of the agriculture budget function. Hence, spending for USDA is not synonymous with spending for farm programs.

USDA gross outlays for FY2003 were \$81.53 billion, including regular and supplemental spending. The mission area with the largest gross outlays (\$41.3 billion, or 50% of spending) was for food and nutrition programs — primarily the food stamp program (the costliest single USDA program), various child nutrition programs, and the Supplemental Nutrition Program for Women, Infants and Children (WIC). The second largest mission area in terms of total spending is for farm and foreign agricultural services, which totaled \$24.3 billion, or 30% of all USDA spending in FY2003. Within this area are the programs funded through the Commodity Credit Corporation (e.g., the farm commodity price and income support programs and certain mandatory conservation and trade programs), crop insurance, farm loans, and foreign food aid programs.

Total USDA spending in FY2003 also included \$7.0 billion (9%) for an array of natural resource and environment programs, approximately three-fourths of which was for the activities of the Forest Service, and the balance for a number of discretionary conservation programs for farm producers. (USDA's Forest Service is funded through the Interior appropriations bill; it is the only USDA agency not funded through the annual agriculture appropriations bill.) USDA programs for rural development (\$2.9 billion in gross outlays for FY2003); research and education (\$2.4 billion); marketing and regulatory activities (\$2.3 billion); meat and poultry inspection (\$735 million); and departmental administrative offices and other activities (\$576 million) accounted for the balance of USDA spending.

Figure 1. U.S. Department of Agriculture Gross Outlays, FY2003

Mandatory vs. Discretionary Spending

Approximately three-fourths of total spending within the U.S. Department of Agriculture is classified as mandatory, which by definition occurs outside the control of annual appropriations. Currently accounting for the vast majority of USDA mandatory spending are: the farm commodity price and income support programs (including ongoing programs authorized by the 2002 farm bill and emergency programs authorized by various appropriations acts); the food stamp program and most child nutrition programs; the federal crop insurance program; and various agricultural conservation and trade programs.

Although these programs have mandatory status, many of these accounts ultimately receive funds in the annual agriculture appropriations act. For example, the food stamp and child nutrition programs are funded by an annual appropriation based on projected spending needs. Supplemental appropriations generally are made if and when these estimates fall short of required spending. An annual appropriation also is made to reimburse the Commodity Credit Corporation for losses it incurs in financing the commodity support programs and the various other programs it finances.

The other 25% of the USDA budget is for discretionary programs, which are determined by funding in annual appropriations acts. Among the major discretionary programs within USDA are Forest Service programs; certain conservation programs; most of its rural development programs, research and education programs; agricultural credit programs; the supplemental nutrition program for women, infants,

and children (WIC); the Public Law (P.L.) 480 international food aid program; meat and poultry inspection; and food marketing and regulatory programs. Funding for all USDA discretionary programs (except for the Forest Service) is provided by the annual agriculture appropriations act. Funding for Forest Service programs is included in the annual Interior appropriations act.

Table 1. USDA and Related Agencies Appropriations, FY1995 to FY2004
(budget authority in billions of dollars)

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
Discretionary	\$13.31	\$13.05	\$13.75	\$13.69	\$13.95	\$15.07	\$16.02	\$17.91	\$16.84
Mandatory	\$49.78	\$40.08	\$35.80	\$42.25	\$61.95	\$58.34	\$56.91	\$56.70	\$63.69
Total Budget Authority	\$63.09	\$53.12	\$49.55	\$55.94	\$75.90	\$73.41	\$72.93	\$74.61	\$80.53

Source: House Appropriations Committee.

Note: Includes regular annual appropriations for all of USDA (except the Forest Service), the Food and Drug Administration, and the Commodity Futures Trading Commission. Excludes all mandatory emergency supplemental appropriations. The FY2003 level reflects the 0.65% across-the-board rescission applied to all discretionary programs funded in the FY2003 Consolidated Appropriations Act (P.L. 108-7), except for the WIC program which was specifically exempted. The FY2004 level reflects the 0.59% across-the-board rescission to all non-defense, discretionary accounts, without exception.

A key distinction between mandatory and discretionary spending involves how these two categories of spending are treated in the budget process. Congress generally controls spending on mandatory programs by setting rules for eligibility, benefit formulas, and other parameters rather than approving specific dollar amounts for these programs each year. Eligibility for mandatory programs is usually written into authorizing law, and any individual or entity that meets the eligibility requirements is entitled to the benefits authorized by the law. Spending for discretionary programs is controlled by annual appropriations acts. The 13 subcommittees of the House and Senate Appropriations Committees originate bills each year which decide how much funding to devote to continuing current activities as well as any new discretionary programs.

FY2005 Agriculture Appropriations Action

As the first step in the FY2005 budget and appropriations process, the Bush Administration released its budget request on February 2, 2004 for all federal department, agencies, and programs. The Administration's budget contains an FY2005 appropriations request of \$82.9 billion for the U.S. Department of Agriculture and Related Agencies (which includes all of USDA except the Forest Service, and also includes the Food and Drug Administration and Commodity Futures Trading Commission). The FY2005 requested total is down \$3.65 billion from the enacted FY2004 level of \$86.6 billion, primarily because of an anticipated reduced need in FY2005 to reimburse the Commodity Credit Corporation for its

realized losses.¹ An estimated \$66.3 billion, or nearly 80%, of this requested spending is for mandatory programs administered by USDA (primarily the CCC, crop insurance, and most food and nutrition programs). Actual spending for these programs is highly variable and is driven by program participation rates and prevailing economic and weather conditions. The balance of the FY2005 spending request (\$16.6 billion) is for discretionary programs, compared with an enacted FY2004 appropriated level of \$16.8 billion. It is this category of spending for which appropriators have direct control over annual spending levels.

Table 2. Congressional Action on FY2005 Appropriations for the U.S. Department of Agriculture and Related Agencies

Subcommittee Markup Completed		House Report	House Passage	Senate Report	Senate Passage	Conference Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
6/14/04	**	H.R. 4766; H.Rept. 108-584	Vote of 389-31	**	**	**	**	**	**

** = Pending

The agriculture subcommittee of the House Appropriations Committee completed markup of the FY2005 agriculture appropriations bill on June 14, 2004, and a markup by the full House Appropriations Committee followed on June 23. The committee officially reported the bill (H.R. 4766, H.Rept. 108-584) on July 7, 2004. The full House approved the measure on July 13, 2004, after adopting fourteen amendments.

Among the adopted House floor amendments were (1) a prohibition on any USDA funds being used to administer a tobacco quota buyout, which is pending in separate legislation; (2) a transfer of all funds (\$120.9 million) from USDA's Common Computing Environment account to the salaries and expenses of the Farm Service Agency, Natural Resources Conservation Service, and Rural Development; (3) a transfer of funds from an administrative account to help combat sudden oak disease and Asian longhorned beetles; (4) an increase in funding for renewable energy loans to the authorized level; and (5) a requirement that the Food and Drug Administration make any contraceptive available over the counter if it is proven to be safe and effective without a prescription.

Also, an existing provision that would have rescinded \$88 million in carryover funds from the local television loan guarantee program was deleted from the bill. Consequently, total discretionary spending in the bill is now approximately \$70 million above the allocation given to the subcommittee by the full committee.

¹ All FY2004 figures cited in this report (including the table at the end) have factored in the effect of a 0.59% across-the-board rescission to all non-defense, discretionary accounts, as mandated by the FY2004 Consolidated Appropriations Act (P.L. 108-199).

As passed by the House, H.R. 4766 contains total funding of \$83.2 billion, which is approximately \$283 million above the Administration request. Included in the total is approximately \$16.84 billion for all discretionary programs, which is \$2 billion more than the enacted FY2004 appropriation and \$272 million above the Administration's FY2005 request. In order to meet an FY2005 allocation that was below the FY2004 enacted level, House appropriators, as in past years, placed limitations on authorized levels of spending in the 2002 farm bill for various mandatory conservation, rural development, and research programs. In total, appropriators reduced authorized FY2005 spending levels for these programs by \$1.2 billion (compared with \$646 million in FY2004), and applied those savings toward meeting the discretionary allocation.

Senate subcommittee action on its version of the FY2005 bill is pending and might occur in the context of an omnibus appropriations measure shortly after the summer recess.

The following sections of this report review the major recommendations in the House-passed version of H.R. 4766, and compare them with the Administration's request and the enacted FY2004 appropriations levels. As the appropriations process continues in both the House and the Senate, this report will be updated to compare the measures. Also, see the table at the end of the report for a tabular summary of proposed spending levels.

Commodity Credit Corporation

Most spending for USDA's mandatory agriculture and conservation programs was authorized by the 2002 farm bill (P.L. 107-171), and is funded through USDA's Commodity Credit Corporation (CCC). The CCC is a wholly owned government corporation. It has the legal authority to borrow up to \$30 billion at any one time from the U.S. Treasury. These borrowed funds are used to finance spending for ongoing programs such as farm commodity price and income support activities and various conservation, trade, and rural development programs. The CCC has also been the funding source for a large portion of emergency supplemental spending over the years, particularly for ad-hoc farm disaster payments, and direct market loss payments to growers of various commodities which have been provided in response to low farm commodity prices.

The CCC must eventually repay the funds it borrows from the Treasury. Because the CCC never earns more than it spends, its losses must be replenished periodically through a congressional appropriation so that its \$30 billion borrowing authority (debt limit) is not depleted, which would render the corporation unable to function. Congress generally provides this infusion through the regular annual USDA appropriation law. Because of the degree of difficulty in estimating its funding needs, which is complicated by crop and weather conditions and other uncontrollable variables, the CCC in recent years has received a "current indefinite appropriation," which in effect allows the CCC to receive "such sums as are necessary" during the fiscal year for previous years' losses and current year's losses.

As in past years, the Administration has requested for FY2005 an indefinite appropriation for the CCC ("such sums as necessary"), which it estimates at \$16.452

billion, compared with a revised estimate of \$22.937 billion for FY2004. The House-passed agriculture appropriations bill for FY2005 (H.R. 4766) concurs with this request. The estimated appropriation for FY2005 is not a reflection of expected outlays for FY2005, but is instead an estimate of the required reimbursement to the CCC for its losses incurred primarily in the most recently completed fiscal year (FY2003). Although the estimated FY2005 appropriation is nearly \$6.5 billion below the estimated FY2004 appropriation, the reduction is not because CCC spending is being cut by Congress. Instead, it is primarily attributable to improved farm commodity prices in recent years, which have contributed to a reduction in required spending for farm commodity support under the 2002 farm bill.

Crop Insurance

The federal crop insurance program is administered by USDA's Risk Management Agency (RMA). It offers basically free catastrophic insurance to producers who grow an insurable crop. Producers who opt for this coverage have the opportunity to purchase additional insurance coverage at a subsidized rate. Most policies are sold and completely serviced through approved private insurance companies that have their program losses reinsured by USDA. The annual agriculture appropriations bill makes two separate appropriations for the federal crop insurance program. It provides discretionary funding for the salaries and expenses of the RMA. It also provides "such sums as are necessary" for the Federal Crop Insurance Fund, which funds all other expenses of the program, including premium subsidies, indemnity payments, and reimbursements to the private insurance companies. Annual spending on the crop insurance program is difficult to predict in advance and is dependent on weather and crop growing conditions and farmer participation rates.

In its budget request, the Administration requests such sums as are necessary for the mandatory-funded Federal Crop Insurance Fund, and estimates this appropriation at \$4.095 billion, up from the revised FY2004 estimate of \$3.765 billion. The House-passed FY2005 agriculture appropriations bill (H.R. 4766) concurs with this request. Legislative enhancements (P.L. 106-224) made to the crop insurance program in 2000 greatly increased the federal subsidy of insurance premiums. The increased subsidy coupled with program losses associated with disasters in various parts of the country have contributed to increased program costs in recent years.

For the discretionary component of the crop insurance program, H.R. 4766, as passed by the House, recommends \$72.0 million for RMA salaries and expenses, up slightly from the enacted FY2004 appropriation of \$71.0 million, but well below the Administration's FY2005 request for \$91.6 million. Approximately three-fourths (or \$15.5 million) of the requested increase would fund various information technology (IT) initiatives. The Administration had requested an \$8.3 million increase in total RMA funding for FY2004, mostly to cover proposed IT initiatives. However, the enacted FY2004 level was just \$800,000 above the enacted FY2003 level.

Over the past few years, the Administration's budget contained legislative proposals to limit the amount of federal subsidy that accrues to the private insurance companies participating in the program. None of these proposals were adopted, and the FY2005 request does not contain any legislative initiatives pertaining to the crop

insurance program. Instead, USDA recently completed negotiations on a new standard reinsurance agreement (SRA), which became effective on July 1, 2004. The SRA contains the terms and conditions under which USDA provides subsidies and reinsurance on eligible crop insurance contracts sold or reinsured by the private companies. The newly adopted SRA is expected to reduce program costs by \$22 million in 2005 and \$36 million in 2006 and subsequent years, through lower subsidies to private insurance companies and increased private risk-sharing. For more information on the new SRA, see the CRS Electronic Briefing Book on Agriculture, page on “Federal Crop Insurance: Standard Reinsurance Agreement,” at [<http://www.congress.gov/brbk/html/ebagr83.html>].

Farm Service Agency

While the Commodity Credit Corporation serves as the *funding* mechanism for the farm income support and disaster assistance programs, the *administration* of these and other farmer programs is charged to USDA’s Farm Service Agency (FSA). In addition to the commodity support programs and most of the emergency assistance provided in recent supplemental spending bills, FSA also administers USDA’s direct and guaranteed farm loan programs, certain conservation programs and domestic and international food assistance and international export credit programs.

FSA Salaries and Expenses. This account funds the expenses for program administration and other functions assigned to the FSA. These funds consist of appropriations and transfers from CCC export credit guarantees, from P.L. 480 loans, and from the various direct and guaranteed farm loan programs. All administrative funds used by FSA are consolidated into one account. For FY2005, the House-passed agriculture appropriations bill (H.R. 4766) recommends \$1.35 billion for all FSA salaries and expenses, which is above both the Administration request for \$1.32 billion, and the FY2004 enacted appropriation of \$1.27 billion. The House-passed level includes an adopted floor amendment that transferred nearly \$53 million to FSA salaries and expenses from USDA’s Common Computing Environment account.

Several years ago, FSA funding levels were bolstered by carryover funding from supplemental acts that allowed FSA to increase staffing to administer farm bill commodity support programs. The Administration notes that these carryover funds are now dwindling and need to be compensated for with an increase in regular appropriations to maintain county office staff levels. Report language accompanying the FY2004 House appropriations bill instructed USDA not to shut down or consolidate any local FSA offices unless rigorous analysis proves such action to be cost-effective. The FY2005 House committee report (H.Rept. 108-584) reinforces this policy. In FY2004, the Senate committee report also expressed concern about FSA downsizing and directed the Secretary to consider the impact further reductions will have on farm services before considering closing additional offices.

FSA Farm Loan Programs. Through FSA farm loan programs, USDA serves as a lender of last resort for family farmers unable to obtain credit from a commercial lender. USDA provides direct farm loans and also guarantees the timely repayment of principal and interest on qualified loans to farmers from commercial lenders. FSA farm loans are used to finance the purchase of farm real estate, help producers meet their operating expenses, and help farmers financially recover from

natural disasters. Some of the loans are made at a subsidized interest rate. An appropriation is made to FSA each year to cover the federal cost of making direct and guaranteed loans, referred to as a loan subsidy. Loan subsidy is directly related to any interest rate subsidy provided by the government, as well as a projection of anticipated loan losses caused by farmer non-repayment of the loans.

The House-passed FY2005 agriculture appropriations bill (H.R. 4766) recommends an appropriation of \$158 million to subsidize the cost of making \$3.817 billion in direct and guaranteed FSA loans in FY2005. The enacted FY2004 loan subsidy was \$195.5 million to support FSA loans totaling \$3.246 billion. Thus, while the House-passed bill would increase loan authority by \$572 million (18%) from the estimated FY2004 level, the loan subsidy amount would decrease by \$37.5 million (19%).

H.R. 4766, as passed, follows the Administration's FY2005 request with two primary exceptions. First, the House bill does not fund the \$3.2 million Administration request for \$25 million in emergency loan authority. In recent years, the emergency loan program has operated from carryover funds, but the remaining carryover is expected to be consumed in FY2004. Second, the House-passed bill restores boll weevil eradication loan authority to its FY2004 level (\$100 million, up \$40 million from the Administration request, with no additional loan subsidy), and adds language that pink bollworm qualify for the boll weevil eradication loan program.

Most of the proposed increase in overall loan authority is a \$456 million increase in unsubsidized guaranteed farm ownership loans (an increase of nearly 50%, to \$1.4 billion in FY2005). These unsubsidized guaranteed loans can be made with relatively little increase in appropriated funds compared to changes in subsidized or direct loans. Nearly all of the proposed decrease in the loan subsidy amount is in direct farm ownership and direct farm operating loans, although the loan authorization for these loans would increase.

For salaries and administrative expenses to carry out the loan program, H.R. 4766 provides \$297.4 million, \$15.6 million less than the Administration's request, but \$8.2 million more than FY2004.

Tobacco Quota Buyout Provision. A Flake/Van Hollen amendment to the FY2005 agriculture appropriations bill (H.R. 4766) was adopted on the House floor, which would prohibit USDA employees from implementing a tobacco quota buyout program if the buyout payments are from appropriated funds. This constraint is directed at the tobacco buyout provisions in Title VII of the House tax bill (H.R. 4520) adopted by the House on June 17, 2004. The tobacco quota buyout provisions of H.R. 4520 would use about \$9.6 billion from the U.S. Treasury to make payments to tobacco quota owners and active tobacco producers as compensation for termination of the tobacco price support and production control program. The design of the buyout is nearly identical to that proposed in H.R. 4033 (Jenkins). Other tobacco buyout proposals would have manufacturers pay for the buyout (i.e., H.R. 3160 and S. 1490). For more on the tobacco quota buyout, see the CRS online Agriculture Briefing Book page, "Tobacco Quota Buyout," at [<http://www.congress.gov/brbk/html/ebagr62.html>].

Conservation

Agricultural conservation spending includes both discretionary and mandatory programs, which are administered for the most part by USDA's Natural Resources Conservation Service. (The major exception is the Conservation Reserve Program, administered by the Farm Service Agency). Discretionary conservation spending has totaled more than \$1 billion annually in recent years. Mandatory conservation spending, funded by the Commodity Credit Corporation, is estimated to total just under \$3 billion in FY2004. This section does not discuss Forest Service spending, which is funded by the Interior appropriations bill.

Discretionary NRCS Programs. Discretionary programs are those which rely on annual appropriations for funding. The House-passed agriculture appropriations bill (H.R. 4766) provides \$1.033 billion for discretionary NRCS programs in FY2005, after adopting an amendment that transferred \$40.5 million from USDA's Common Computing Environment account to NRCS's Conservation Operations. The House-passed level is \$6 million (less than 1%) more than the FY2004 enacted level of \$1.027 billion, and \$125 million above the Administration's FY2005 request of \$909.5 million. Recommended allocations for major programs are discussed below.

- **Conservation Operations.** As passed by the House, H.R. 4766 provides \$854.1 million for this account, which funds assistance to the public and local governments for conservation. The recommendation is \$6 million less than the FY2004 enacted level. It is \$143 million above the Administration's FY2005 request, in part because the committee earmarked funds for Member projects that the Administration did not request. The committee report (H.Rept. 108-584) accompanying H.R. 4766 states that unless those projects are specifically listed in the report, funding for FY2004 member projects is not continued. Just over 50 projects carried over from FY2004 are listed in the House committee report for FY2005. Despite many new requests, the committee did not fund any new member projects for FY2005. In addition, the House adopted an amendment to transfer \$40.5 million from the Common Computing Environment initiative to this account.
- **Technical Assistance.** As in FY2003 and FY2004, H.R. 4766 rejects the Administration's request for a new FY2005 discretionary account that would fund technical assistance (TA) for two mandatory programs — the Conservation Reserve Program (CRP) and the Wetlands Reserve Program (WRP). It also includes language in each discretionary account prohibiting use of those funds for CRP and WRP TA. The problem of CRP and WRP TA funding dates to the 1996 farm bill and has yet to be resolved. The House adopted a floor amendment that is similar to legislation being considered separately (H.R. 1907) to address aspects of this issue, which prohibits funds from other mandatory conservation programs to be used to fund TA for the Conservation Reserve and Wetlands Reserve Programs. This adopted amendment also prohibits TA

funds from being transferred between these two programs. In addition, language in the appropriations bill prohibits using funds from the Conservation Operations account to pay for TA for any of the mandatory programs. For more information on this issue, see CRS Issue Brief IB96030, *Soil and Water Conservation Issues*.)

- **Other accounts.** H.R. 4766 provides \$86 million for watershed and flood prevention operations (same as FY2004 enacted level); \$30 million for the watershed rehabilitation program (slightly over the FY2004 enacted level); and \$52 million for the resource conservation and development program (same as the FY2004 enacted level).

Selected Mandatory Conservation Programs. In theory, mandatory programs are not governed by the annual appropriations process because their funding is mandated in laws other than appropriations acts. However, in practice, appropriators often place limits on mandatory spending in appropriations bills. Mandatory conservation programs that would be limited in the House-passed bill are included below. In total, the House bill requires \$501 million in cuts from the authorized program levels. These proposed reductions are more than double the \$240 million in mandatory conservation reductions enacted in FY2004, and are \$53 million more than the \$448 million in reductions sought by the Administration in its FY2005 budget request. The committee report did not include any explanations for the limits. However, all reductions in mandatory spending are scored as savings, which allow the agriculture appropriators to spend an equivalent amount on any discretionary programs within their jurisdiction.

The following is a summary of the House-approved reductions in mandatory conservation programs:

Program	Description	FY2005 House-Approved Bill (H.R. 4766)	Difference from Authorized Funding Level
Environmental Quality Incentives Program	Provides cost-share assistance to farmers to install structural and land management practice. 60% of funds targeted to livestock production.	\$1.01 billion	-\$190 million
Conservation Security Program	Pays farmers to conserve natural resources over part or all of a farm.	\$194 million	-\$88 million
Wildlife Habitat Incentives Program	Provides farmers with financial assistance to develop wildlife habitat.	\$ 60 million	-\$25 million

Program	Description	FY2005 House-Approved Bill (H.R. 4766)	Difference from Authorized Funding Level
Wetlands Reserve Program	Provides assistance to producers to protect wetlands.	175,000 acres	-25,000 acres (-\$35 million)
Farmland Protection Program	Assists with purchase of conservation easements to limit non-agricultural uses of agricultural land	\$112 million	-\$13 million
Small Watershed Rehabilitation Program	Provides financial assistance to rehabilitate aging small dams owned locally but originally built by NRCS	\$0	-\$150 million

- Programs Not Limited by House Appropriations Committee.**
 H.R. 4766 did not limit some important mandatory programs. These include the \$2 billion Conservation Reserve Program, which pays farmers to retire land from production; the Ground and Surface Water Conservation Program and the Klamath Basin program, both subsets of EQIP that fund water conservation in Western states; the Grasslands Reserve Program, which assists landowners to restore grasslands while maintaining the land's suitability for grazing; and the Agricultural Management Assistance program, which provides assistance to certain states for various conservation activities. Since no action was taken by the committee, these programs would be fully funded as authorized.

For more information on USDA conservation programs, see CRS Issue Brief IB96030, *Soil and Water Conservation Issues*.

Agricultural Trade and Food Aid

For USDA's international activities requiring an appropriation (discretionary programs), the House-passed agriculture appropriations bill (H.R. 4766) recommends an FY2005 appropriation of \$1.509 billion, \$5.3 million more than enacted in FY2004 and \$12.2 million less than requested in the President's budget. USDA's international activities include both discretionary and mandatory programs, with the latter funded through the borrowing authority of the Commodity Credit Corporation (CCC). The Administration has estimated that the combined total of discretionary and mandatory programs for FY2005 would be \$6.6 billion, up \$183 million from the FY2004 Administration estimate.

Discretionary Programs. Discretionary international programs include commodity sales and humanitarian donations under P.L. 480 (or Food for Peace) and

the McGovern-Dole International Food for Education Program (FFE), authorized in the 2002 farm bill (P.L. 107-171). Historically, P.L. 480 has been the main vehicle for providing U.S. agricultural commodities as food aid overseas. FFE provides commodity donations and associated financial and technical assistance to carry out school and child nutrition programs in developing countries. For P.L. 480, H.R. 4766, as passed by the House, contains an appropriation of \$1.291 billion for FY2005, \$26.7 million less than enacted in FY2004 and \$6.8 million less than requested by the President. Of the amount in the House bill for 2005, \$1.180 billion is allocated to humanitarian commodity donations under P.L. 480 Title II. The FY2005 level for Title II in H.R. 4766, as passed, is \$5 million less than both the FY2004 enacted amount and the amount requested by the Administration for FY2005. For P.L. 480 Title I (direct commodity sales), the House-passed level is \$109.1 million, which is identical to the amount requested by the President, but \$22 million less than enacted in FY2004. H.R. 4766 contains an increase of \$25.3 million in the appropriation for FFE (a total of \$75 million recommended for FY2005), which is largely offset by the reductions in P.L. 480 Titles I and II.

The other major discretionary account is the Foreign Agricultural Service (FAS), for which H.R. 4766 has an FY2005 appropriation of \$137.7 million, up \$6.5 million from the FY2004 enacted amount, but \$5.3 million less than the President's request. FAS administers all of USDA's international activities with the exception of P.L. 480 Title II, which is administered by the U.S. Agency for International Development (USAID). H.R. 4766 also contains a transfer of \$4.5 million from various accounts to cover the administrative expenses of CCC export credit guarantee programs. The President's budget estimated that in FY2005, these administrative costs would support programs that finance \$4.5 billion of U.S. agricultural exports.

Mandatory Programs. Other food aid programs are mandatory (for which an annual appropriation is not required), including Food for Progress (FFP), the Bill Emerson Humanitarian Trust, and Section 416(b) commodity donations. The President's budget envisions \$149 million of CCC funding for FFP. That program level (plus some funding from P.L. 480 Title I) is expected to provide the minimum 400,000 tons of commodities in FFP established in the 2002 farm bill. No commodities were released from the Emerson Trust in FY2004, but in FY2003, \$212 million of commodities and related services were provided via the Trust, which is primarily a commodity reserve, used to meet unanticipated food aid needs or to meet food aid commitments if domestic supplies are unavailable. The President's budget makes no estimate of releases from the Trust in FY2005, but notes that 500,000 tons are available for emergency food assistance. About 1.6 million metric tons of wheat and \$109 million in cash are currently in the Trust. For Section 416(b) commodity donations, the President's budget projects a program level of \$147 million (\$15 million for ocean freight and overseas distribution costs and \$132 million in commodity value). USDA indicates that only nonfat dry milk will be available for distribution under this program in FY2005.

A number of USDA's export-related programs are also mandatory and thus do not require an appropriation. Under the Export Enhancement Program (EEP) and the Dairy Export Incentive Program (DEIP), USDA makes cash bonus payments to exporters of U.S. agricultural commodities to enable them to be price competitive when U.S. prices are above world market prices. EEP has been little used in recent

years, and no EEP bonuses were provided in FY2004. Reflecting this program experience, the President's budget assumes a program level of \$28 million in FY2005, compared with \$478 million authorized by the 2002 farm bill. Consequently, USDA retains some flexibility to increase the level of EEP subsidies because of the mandatory authorization. For DEIP, the Administration expects a program level of \$53 million for FY2005, compared with a current estimate of \$22 million for FY2004. For export market development, the budget proposes \$125 million for the Market Access Program (MAP) and \$34 million for the Foreign Market Development Program. Both of these estimates are identical to amounts proposed in the FY2004 budget for USDA. The MAP request, however, is \$15 million less than authorized in the 2002 farm bill. This proposed reduction could prove controversial, but H.R. 4766 does not address this issue. Most previous efforts at restricting MAP spending in Congress have met with little success. A Chabot amendment to H.R. 4766 that would have prohibited any MAP spending in FY2005 was defeated by a vote of 72-347 on the House floor.

For more information, see CRS Issue Brief IB98006, *Agricultural Export and Food Aid Programs*.

Agricultural Research, Extension, and Economics

Four agencies carry out USDA's research, education, and economics (REE) function. The Department's intramural science agency is the Agricultural Research Service (ARS), which performs research in support of USDA's action and regulatory agencies, and conducts long term, high risk, basic and applied research on subjects of national and regional importance. The Cooperative State Research, Education, and Extension Service (CSREES) is the agency through which USDA sends federal funds to land grant Colleges of Agriculture for state-level research, education and extension programs. The Economic Research Service (ERS) provides economic analysis of agriculture issues using its databases as well as data collected by the National Agricultural Statistics Service (NASS).

The USDA research, education, and extension budget, when adjusted for inflation, has remained flat for almost 30 years (supplemental funds appropriated since September 11, 2001, specifically have supported anti-terrorism activities, not basic programs). Furthermore, current financial difficulties at the state level are causing some states to reduce the amounts they appropriate to match the USDA formula funds (block grants) for research, extension, and education (100% matching is required, but most states have regularly appropriated two to three times that amount). A combination of cuts at the state and federal levels can result in program cuts felt as far down as the county level. In 1998 and 2002 legislation authorizing agricultural research programs, the House and Senate Agriculture Committees tapped sources of available funds from the mandatory side of USDA's budget and elsewhere (e.g., the U.S. Treasury) to find new money to boost the availability of competitive grants in the REE mission area. From FY1999 through FY2003, annual agriculture appropriations acts have prohibited the use of those mandatory funds for the purposes the Agriculture Committees intended; however, from FY1999 through FY2002, and now again for FY2004, final agriculture appropriations acts have allocated more funding for ongoing REE programs than were contained in either the House- or Senate-reported versions of the bills. Nonetheless, agricultural scientists,

stakeholders, and partners are concerned that higher defense spending and lower tax revenues may return the REE mission area to a period of static or shrinking appropriations.

Agricultural Research Service. The House-passed agriculture appropriations bill (H.R. 4766) provides \$1.259 billion in total for ARS activities in FY2005, a \$113.1 million increase over the FY2004 level and \$93.4 million higher than the Administration's budget request.

Of that total, \$1.057 billion would support ARS research projects (down \$25.4 million from the FY2004 enacted level, but \$69.4 million above the Administration's request for FY2005), and \$202 million would support the modernization and construction of facilities (\$138.6 million above the FY2004 enacted level and \$24 million above the Administration request). H.R. 4766 would provide \$178 million for completing the modernization of the National Centers for Animal Health in Ames, Iowa (expected in October 2007), as the Administration requested; the additional \$24 million would provide \$3 million each to ongoing construction projects at eight other ARS locations. The allocation for the Ames, Iowa, facility is part of the Administration's multi-agency Food and Agriculture Defense Initiative, which addresses agroterrorism concerns, if pathogens were targeted against the food distribution system or the production agriculture sector. In an emergency supplemental wartime appropriation act in April 2003 (P.L. 108-11), ARS received \$110 million to begin making critical improvements in this facility. ARS operates the lab jointly with the Animal and Plant Health Inspection Service, whose National Animal Disease Diagnostic Lab is located at the site.

As in previous years, the committee report (H.Rept. 108-584) accompanying the House bill mandates the continuation of individual earmarked research projects that Members have added to annual appropriations acts in past years. The Administration maintains in its annual budget requests that part of the funds from these projects (\$169 million in total) should be redirected to the Administration's high priority research initiatives.

Cooperative State Research, Education, and Extension Service. As passed by the House, H.R. 4766 provides a total of \$1.141 billion for CSREES, a \$28.1 million increase from FY2004, and a \$135.6 million increase from the FY2005 budget request.

Of the \$1.141 billion total, \$628.6 million would support state agricultural research and academic programs, representing increases of \$10.8 million from FY2004. (This includes the formula-allocated payments to each state and U.S. insular areas, as well as competitive and special grant programs, and education grant programs.) Spending levels for certain items within the research and academic program area is as follows (comparisons within parentheses are with FY2004 funding levels): \$180.6 million for Hatch Act formula funds (up \$1.6 million); \$22.4 million for cooperative forestry research (up \$629,000); \$37 million for payments to 1890 (historically black) land grant colleges of agriculture (up \$1.2 million); \$181 million for the NRI competitive grant program (up \$16 million); and \$84.7 million for special (earmarked) research grants (down \$26 million).

The Administrations's budget request expects CSREES to use a mandatory transfer of \$3 million in government funds (authorized in the 2002 farm act) to support competitive grants for research and extension programs on organic agriculture. Neither the House-passed bill nor its accompanying report contains language affecting CSREES's ability to use the transferred funds for organic research and extension grants as authorized.

H.R. 4766, as passed by the House, would fund state extension education programs at \$440.3 million (down \$376,000 from FY2004 and up \$17.6 million from the budget request), distributed as follows: \$277.2 million for Smith-Lever formula funds (down \$500,000 from FY2004); \$89.2 million for competitively awarded extension grants (Smith-Lever 3(d) programs) (up \$8.6 million, of which \$6.9 million is an increase for the Expanded Food and Nutrition Education Program, which would receive a total of \$59 million); \$33.1 million for extension programs at the 1890 colleges (up \$1.4 million); \$17 million for 1890 facilities grants (up \$2 million); and \$15.4 million for earmarked extension grants (down \$6.7 million).

Integrated activities (which have both research and extension components) would receive \$66.3 million (up \$16.1 million from FY2004; down \$10.6 million from the budget request). Of that amount, the Organic Transition program would receive \$1.9 million, level with FY2004. The outreach program for disadvantaged farmers would receive \$5.9 million, the same level as in FY2004 and in the budget request.

The House Appropriations Committee estimates that \$2.3 million in interest from the Native American Endowment Fund will be available to distribute to the 34 tribally controlled colleges in FY2005, to support the development of their agricultural curricula. In addition, H.R. 4766 would make available \$1.09 million for research at these institutions (level with FY2004), and \$3.3 million for extension programs (up \$344,000 from FY2004).

CSREES is the administrative home of the Initiative for Future Agriculture and Food Systems (IFAFS), a competitive grant program that is authorized to receive mandatory funds for its operation. In appropriations acts from FY2002 through FY2004, appropriators have blocked CSREES from using the mandatory funding of \$120 million to carry out the IFAFS program.² Following the actions of past years, the Administration proposed cancellation of FY2005 spending for IFAFS (which includes the carryover of the full FY2004 funding into FY2005); H.R. 4766 adopts this proposal.

Economic Research Service (ERS) and National Agricultural Statistics Service (NASS). The House-passed appropriations bill (H.R. 4766)

² The FY2004 consolidated appropriations act (P.L. 108-199) gives the Secretary authority to make 20% of National Research Initiative funds available for competitive grants under IFAFS terms and conditions. This means that approximately \$30 million in NRI funds could be awarded as Initiative grants. The goal of both programs is to support fundamental research on subjects of national, regional, or multistate importance to agriculture, natural resources, human nutrition, and food safety, among other things. The House-passed bill for FY2005 does not contain any similar provision.

provides \$76.6 million for ERS in FY2005 (\$5.6 million above the FY2004 enacted level, but \$3.5 million below the Administration's FY2005 request. H.R. 4766 adopts the Administration's request to increase ERS activities in areas related to developing a Consumer Data and Information System. It also allocates \$1.5 million for ERS to study the feasibility of retail stores that stock and sell food only to participants in the Women, Infants, and Children (WIC) feeding program.

H.R. 4766 contains \$128.7 million for NASS, up \$500,000 from FY2004, but \$8.9 million below the Administration's FY2005 request. It provides \$22.5 million for ongoing work on the most recent Census of Agriculture as requested by the Administration (down \$2.6 million from FY2004). It would direct the greatest portion of the FY2005 appropriation (\$106 million) to NASS's work on revamping its agricultural estimates program, which surveys farm operators to develop estimates of various agricultural statistics. Although this amount would be \$3.1 million more than the FY2004 level for this effort, it provides \$8.9 million less than the Administration proposed increase of \$12.0 million for the program.

Food Safety

USDA's Food Safety and Inspection Service (FSIS) conducts mandatory inspection of meat, poultry, and processed egg products to insure their safety and proper labeling. The House-passed agriculture appropriations bill (H.R. 4766) recommends \$824.7 million for FSIS in FY2005. The Administration requested an FY2005 appropriation of \$838.7 million for FSIS, a \$59 million increase from the FY2004 enacted level.

As passed, H.R. 4766 does not include the Administration proposal to impose new inspection user fees of \$124 million (which would require legislation to be implemented). The proposed fees would be collected from meat and poultry processors for inspection services provided beyond one 8-hour shift per day. FSIS has been authorized since 1919 to charge user fees for holiday and overtime inspections. More recently, Congress has approved FSIS to use revenue from user fees the agency charges to certify private diagnostic labs to perform official meat and poultry sampling and testing. Income from these existing user fees (plus trust funds) adds another approximately \$111 million to the FSIS program level annually. The Administration has included the expanded user fee proposal in the past two years' budget requests, and previous administrations, going back decades, have proposed operating the entire inspection program on user fees. Congress has never agreed with these proposals, responding that assuring the safety of the food supply is an appropriate function of the federal government.

H.R. 4766 provides for the following specific FSIS increases for FY2005 as requested by the Administration: \$17.3 million for frontline inspectors and humane slaughter enforcement; \$3 million for BSE surveillance (see the section below on BSE funding); \$7.2 million for inspector training; and \$15.5 million for increased pay costs. Also in the House-passed bill is an increase of \$9.6 million for food defense activities, including \$2.5 million for biosurveillance, \$3.6 million for the Food Emergency Response Network, \$3 million for the network's data systems support, and \$500,000 for laboratory equipment and additional training. The bill also includes \$2.7 million for Codex Alimentarius activities, \$1.65 million for

outsourcing microbiological testing, and a reduction of \$7.7 million in information technology savings as requested in the budget.

For more information, see CRS Issue Brief IB10082, *Meat and Poultry Inspection Issues*.

Marketing and Regulatory Programs

Animal and Plant Health Inspection Service (APHIS). The largest appropriation for USDA marketing and regulatory programs goes to the Animal and Plant Health Inspection Service. APHIS is responsible for protecting U.S. agriculture from foreign pests and diseases, responding to domestic animal and plant health problems, and facilitating agricultural trade through science-based standards.

The House-passed FY2005 agriculture appropriations bill (H.R. 4766) recommends a total appropriation of \$836.8 million for APHIS in FY2005, up \$115.5 million, or 16%, from FY2004 and \$3.4 million above the Administration's request. Included in the House total are the effects of two adopted floor amendments which added \$23 million for the eradication of two plant pests and diseases, with offsets from USDA administrative accounts. Of the total amount in the House bill, \$831.8 million would be for salaries and expenses, and \$5 million would be for APHIS buildings and facilities, the latter of which equals the Administration's request and is only \$29,000 more than FY2004. The Administration's salary and expense request includes significant new funding for avian flu and BSE activities, both of which are discussed in separate sections below.

Within APHIS program areas, H.R. 4766 would provide \$152 million for pest and disease exclusion (foreign animal diseases, fruit fly, and import/export programs), \$21.3 million below the Administration's request, but \$0.5 million above FY2004.

H.R. 4766 would provide \$201 million for plant and animal health monitoring programs, an increase of \$62.6 million, or 45%, over FY2004, but \$22.9 million below the Administration's request. It would fund new bio-surveillance programs at \$2 million rather than \$5 million in the Administration request, would fund vaccine banks at \$3 million rather than \$6 million, and would trim the increase for emergency coordinators from \$4.6 million to \$2.6 million. For pest detection, H.R. 4766 increases the state-based Cooperative Agricultural Pest Surveys (CAPS) system by \$2 million rather than \$9.1 million as the Administration requested.

For the pest and disease management function, H.R. 4766 would provide \$375 million, an increase of \$43.8 million, or 13%, over FY2004, \$59.2 million above the Administration's request. H.R. 4766 nearly doubles the Administration's request for the avian influenza program (to \$23 million), compared with \$1 million in FY2004. (See section below.) For boll weevil and Johne's disease, the Administration had requested large reductions, but the House recommends smaller reductions in each, funding boll weevil at \$47 million and Johne's disease at \$7.2 million (a House reduction of \$3.7 million for boll weevil, instead of the requested \$33 million cut; and an \$11.5 million reduction for Johne's disease instead of the requested \$15.5 million cut). Similarly, H.R. 4766 has smaller reductions than requested for

brucellosis and noxious weeds, funding brucellosis at \$9.9 million and noxious weeds at \$1.2 million. The House bill provides smaller increases than requested for chronic wasting disease (CWD), scrapie, and tuberculosis, recommending funding at \$18.6 million, \$17.8 million, and \$14.9 million, respectively.

For emerging plant pests (EPP) within the pest and disease management function, the overall EPP amount exceeds the Administration's request by \$23 million due to two floor amendments for that amount. Funding for EPP would rise by \$34.3 million, or 36%, over FY2004 to \$127 million. The House recommends slightly smaller increases than requested for citrus canker, Pierce's disease/glassy-winged sharpshooter, and emerald ash borer. It would fund citrus canker at \$51.6 million, Pierce's disease at \$23.5 million, and emerald ash borer at \$12 million. Funding for sudden oak death would rise by \$5 million over FY2004 to \$7 million, following a floor amendment. Olive fruit fly funding would remain at FY2004 levels rather than the Administration-requested reductions. A floor amendment adding \$18 million for Asian longhorned beetle would fund that program at \$28.3 million. Thus for Asian longhorned beetle, H.R. 4766 recommends reducing funding by only \$1.7 million, rather than the \$20.7 million requested cut.

For scientific and technical services, H.R. 4766 would provide \$82.5 million, \$4.5 million less than the Administration's request, but \$8.2 million more than FY2004. It does not fund the \$0.9 million increase to \$2.9 million requested for biosecurity or the \$2.4 million request for personnel at Plum Island.

The House-passed bill would fund the animal care function at the requested \$17.1 million, an increase of 0.3 million over FY2004. It does not fund the \$7.1 million request for physical security enhancements throughout APHIS.

Some of the Administration's requested increases are part of the Food and Agriculture Defense Initiative. In its FY2005 budget, APHIS requested \$94.4 million under the initiative, an increase of \$49.3 million over similar activities appropriated for FY2004. Enhanced surveillance, laboratory capacity and networking, state cooperative agreements, and a greater vaccine bank for foot and mouth disease are among the proposed activities in APHIS. (Throughout USDA, the budget request for the initiative is \$381 million shared among four agencies.)

H.R. 4766 continues to allow USDA to collect user fees that fund much of the agriculture quarantine and inspection (AQI) program. Although agriculture border inspectors were transferred from APHIS to the Department of Homeland Security (DHS) in 2003, USDA reimburses DHS for conducting inspections. In FY2005, USDA expects to collect \$344 million in AQI user fees and transfer \$204 million to DHS.

H.R. 4766 does not include the Administration's legislative proposal to apply \$10.9 million of user fees for animal welfare inspection directly to APHIS accounts (rather than to Treasury) and to begin collecting user fees from other facilities registered under the Animal Welfare Act (such as research facilities and carriers). The Administration requested similar legislation for FY2004 and FY2003, but the House and Senate did not act on the request.

Avian Flu Activities. APHIS is the lead USDA agency responsible for controlling avian influenza. As passed by the House, H.R. 4766 provides \$23 million for avian flu activities, \$10.2 million more than the Administration's request of \$12.7 million. Both amounts are significantly more than the \$1 million appropriated in FY2004. In February 2004, cases of low pathogenic avian flu were discovered in Delaware, Maryland, Pennsylvania, and New Jersey, and a highly pathogenic case was found in Texas. These outbreaks, now contained and eradicated, have garnered high visibility since an unrelated and highly pathogenic strain of avian flu began spreading throughout Asia in late 2003. In FY2004, the APHIS avian flu program focuses primarily on controlling the spread of low pathogenic avian flu in live bird markets. In May 2004, USDA released \$13.7 million of Commodity Credit Corporation (CCC) funds to begin a larger national avian flu program (\$10.8 million) and assist Texas with its highly pathogenic outbreak (\$2.9 million), effectively accelerating action on the Administration's request.

The expanded funding for FY2005 would enable APHIS to establish new elements in its low pathogenic avian influenza program. About half of the funding would be used for indemnities to farmers when the government destroys flocks to control the disease. Other program initiatives include cooperative agreements with states, increased monitoring, a bird identification system, laboratory support, and vaccine development.

For more information on avian flu, see CRS Report RS21747, *Avian Influenza: Multiple Strains Cause Different Effects Worldwide*.

BSE Activities. APHIS is the lead USDA agency in conducting surveillance for and addressing bovine spongiform encephalopathy (BSE, or mad cow disease). The House bill and accompanying report reflect how the Administration's BSE funding needs, as well as the committee Members' concerns, have been evolving with the BSE situation itself.

The Administration's original budget proposal called for APHIS to receive \$50 million out of a total request for \$60 million for BSE-related activities in FY2005, a response to the discovery of the first case of BSE in the United States in December 2003. The new request compares with BSE spending by USDA of about \$24 million in FY2004 and \$13 million in FY2003. Of the \$60 million total, \$33 million was to go to APHIS to accelerate development of a national system to identify and trace animals from birth to slaughter, considered by many to be an important tool for more quickly locating and containing BSE or other animal disease outbreaks. Also part of the \$60 million was a \$17 million request for collecting samples from 40,000 cattle on farms and at rendering plants in order to test them for BSE.

The House committee report (H.Rept. 108-584) accompanying H.R. 4766 notes that the Administration already has transferred \$69.9 million (in March 2004) from the Commodity Credit Corporation (CCC) to fund an expanded BSE surveillance program under which it intends to test "approximately 268,000 animals within a 12 to 18 month period starting June 1, 2004. The committee notes that the CCC-transferred amount will cover all BSE testing during that timeframe." (For details see CRS Issue Brief IB10127, *Mad Cow Disease: Agricultural Issues for Congress*.)

The House committee report notes, among other things, that H.R. 4766 provides the full remaining amount of increase requested for APHIS BSE activities, which it states is \$8.6 million. Other BSE-related funding in the House bill also includes the \$33.2 million requested for development of the national animal ID system (the committee noted that USDA had transferred \$18.8 million from the CCC in April 2004 to get the ID program underway). The committee report requests that the Secretary of Agriculture provide a report by July 15, 2004, and quarterly reports thereafter, on its BSE surveillance program, implementation of national animal ID, and each component of its BSE response plan. The House committee expressed concern that USDA “improperly allowed the importation of millions of pounds of ground and processed beef from Canada [which reported its own BSE case in May 2003] for many months....” It also asked the Secretary for a report by September 1, 2004, “on specifically how a decision was made to allow these imports, apparently without the awareness of senior officials,” and how she intends to prevent it from happening again.

The committee report further directs USDA’s Office of Inspector General to provide reports on its investigation into a controversy over how the U.S. BSE cow from Washington state was chosen for BSE testing in the first place, and on its separate investigation into USDA’s later failure to perform such a test on a suspicious Texas cow. Elsewhere in its report, the committee expressed concern that the Food and Drug Administration had not yet published its own rules to tighten BSE safeguards, five months after they were first announced. The committee also asked the Commodity Futures Trading Commission to report on its investigation into whether news of the December 2003 U.S. BSE announcement was leaked in advance to certain commodity traders.

During House floor consideration, Representative Tiahrt unsuccessfully offered an amendment that would have prohibited the use of USDA travel funds until the Department implements a program to permit beef slaughtering establishments to test carcasses for BSE. The amendment, which was rejected on a procedural point of order, relates to an effort by several smaller firms (notably Creekstone Farms Premium Beef) aiming to meet primarily Japanese market demands for 100% testing. USDA, which claims approval authority under the Virus-Serum-Toxin Act, has denied the Creekstone request, on the grounds that such testing is not scientifically based and misleadingly would imply that tested meat is safer than untested meat.

Agricultural Marketing Service. AMS is responsible for promoting the marketing and distribution of U.S. agricultural products in domestic and international markets. The House-passed agriculture appropriations bill (H.R. 4766) contains \$93 million in FY2005 budget authority for AMS compared with the Administration’s FY2005 budget proposal of \$103.1 million, and with an enacted FY2004 level of \$93.7 million. The Administration requested a \$10 million increase in appropriated funds for improved information technology systems to be used in USDA commodity purchasing, which it conducts to stabilize agricultural markets and to meet the commodity needs of domestic food programs; H.R. 4766 directs the Secretary to take the \$10 million from the Section 32 account (see below).

The overall AMS levels include annual appropriations for marketing services and for payments to states and territories. Nearly \$16 million of the AMS

appropriation represents funds transferred from the permanent Section 32 account. Further, AMS uses additional Section 32 monies (not reflected in the above totals) to pay for government purchases of surplus farm commodities that are not supported by ongoing farm price support programs, and for other purposes (for example, H.R. 4766 assumes that the \$10 million for improved computer systems will come from this account; see above). For an explanation of this account, see CRS Report RS20235, *Farm and Food Support Under USDA's Section 32 Program*. Also not included in the above AMS budget authority levels are approximately \$195 million in various user fees that fund numerous agency activities.

A House floor amendment by Representative Kaptur, to transfer \$6 million from USDA's Chief Information Officer to the Farmers Market Promotion Program, was defeated by a vote of 213 to 206.

Grain Inspection, Packers, and Stockyards Administration. GIPSA establishes the official U.S. standards, inspection and grading for grain and other commodities. It also ensures fair-trading practices, including in livestock and meat products. GIPSA has been working to improve its understanding and oversight of livestock markets, where increasing concentration and other changes in business relationships, (such as contractual relationships between producers and processors), have raised concerns among some producers about the impacts of these developments on farm prices. The House Appropriations Committee report (H.Rept. 108-584) accompanying H.R. 4766 notes that funds were provided in FY2003 to study "issues surrounding a ban on packer ownership." The report states that the committee expects a "comprehensive update" on the study by January 1, 2005.

As passed by the House, H.R. 4766 provides \$37.5 million for GIPSA, which is below the Administration's request of \$44.2 million. The Administration was seeking the following GIPSA increases: \$5 million to upgrade significantly its information technology; \$1.2 million to monitor the technologies livestock and meat industries use to evaluate carcass characteristics (which determine value to producers); \$1 million for "rapid response teams" to monitor livestock markets to ensure producers are not unfairly treated in the wake of last year's U.S. BSE finding; and \$500,000 to help resolve international grain trade problems.

In FY2004, Congress appropriated \$35.7 million for GIPSA salaries and expenses, with another \$42 million in already authorized user fees anticipated for an overall agency program level of nearly \$78 million. The Administration's proposed increases would raise the FY2005 program level to \$86 million. H.R. 4766 does not include a proposal by the Administration for a \$29.4 million increase in GIPSA user fees (which would require legislation to be adopted). If adopted, it would reduce required appropriations in FY2005 to a total of \$14.8 million, instead of \$44.2 million. The same user fees were in the FY2004 budget request but were not approved by Congress. The proposed new fees would include \$6 million from charges for the costs of developing, reviewing, and maintaining official U.S. grain standards; the other \$23 million would come from new license fees imposed on packers, live poultry dealers, poultry processors, stockyard owners, market agencies, dealers and swine contractors covered by the Packers and Stockyards Act (PSA).

Rural Development

Three agencies are responsible for USDA's rural development mission area: the Rural Housing Service (RHS), the Rural Business-Cooperative Service (RBS), and the Rural Utilities Service (RUS). An Office of Community Development provides community development support through Rural Development's field offices. The mission area also administers the rural portion of the Empowerment Zones and Enterprise Communities Initiative and the National Rural Development Partnership.

The House-passed agriculture appropriations bill (H.R. 4766) recommends \$2.40 billion in budget authority for FY2005, which, in part, supports a \$10.28 billion loan authorization level for rural economic and community development programs. The House level is \$49.5 million less than enacted for FY2004, and \$188.7 million more than requested by the Administration. The House bill also provides \$2.7 billion more in loan authorization than requested, but \$683.6 million less in loan authorization than enacted for FY2004. Total rural development funding also includes \$171.25 million for salaries and expenses, an increase of \$30.2 million above FY2004, and \$21.5 million above the budget request. The FY2005 House level was bolstered by an adopted floor amendment that transferred \$27.63 million to rural development salaries and expenses from USDA's Common Computing Environment account.

As was the case for FY2004, H.R. 4766 recommends that no funds be used to carry out the provisions of the following mandatory rural development programs: the Rural Strategic Investment Program; the Rural Business Investment Program; the Rural Firefighters and Emergency Personnel Program; Enhancement of Rural Access to Broadband Services; Value-Added Agricultural Product Market Development Grants; and the Renewable Energy Systems and Energy Efficiency Improvements Program. H.R. 4766, however, recommends that several of these programs be funded out of discretionary appropriations, although at levels lower than the authorized amounts.

Rural Community Advancement Program (RCAP). RCAP, as authorized by the 1996 farm bill (P.L. 104-127), consolidates funding for 13 rural development loan and grant programs into three accounts. As passed by the House, H.R. 4766 recommends an FY2005 appropriation of \$668.4 million, \$84.5 million less than enacted for FY2004 and \$126.4 million more than requested by the Administration. Of the total requested appropriation, \$39.5 million would be for the community facilities account; \$552.7 million for the rural utilities account; and \$76.2 million for the business development account. Under H.R. 4766, water and waste disposal direct loans would increase from the FY2004 level of \$34.4 million to \$90 million in FY2005, the same as the budget request. Water and waste disposal grants would fall below the amounts available for FY2004, but would still be approximately \$100 million over the budget request. Business and industry loans, rural business enterprise grants, and rural business opportunity grants would remain approximately the same as enacted for FY2004, as requested by the Administration.

For FY2005, H.R. 4766, as passed by the House, recommends earmarking funds from the three RCAP accounts for various programs: Native American Tribes (\$24 million); the Delta Regional Authority (\$2 million); water and waste water treatment

for *colonias* (\$25 million); technical assistance for rural water and waste systems (\$17.5 million); a circuit rider program for water technical assistance (\$14 million); grants to nonprofit organizations to improve household well-water systems (\$1 million); and empowerment zones and enterprise communities (EZ/EC) and Rural Economic Area Partnership Zones (\$22.2 million). The level of these recommended earmarks is not significantly different from similar earmarks enacted for FY2004. H.R. 4766 also recommends \$6.2 million for the Rural Community Development Initiative, for which the Administration had requested no funding. The total includes an adopted House floor amendment that increased the RCAP appropriation by \$1 million to promote agritourism.

In report language (H.Rept. 108-584), the House committee notes its concern with the guaranteed business and industry loan program, particularly the program's practice of rescinding the federal guarantee on loans already approved by banks in cases where the bank was defrauded or where the Rural Business-Cooperative Service failed to provide the banks with negative information about a prospective borrower. The committee directs the Secretary to develop a strategy to address this problem and to provide a report to the committee by January 31, 2005.

Rural Business-Cooperative Service. For FY2005, H.R. 4766, as passed by the House, contains an appropriation of \$82.8 million for RBS loan subsidies and grants, including \$15.9 million in rural development loan subsidies and \$23.5 million in rural cooperative development grants. The appropriation in the House bill is \$700,000 less than enacted for FY2004 and \$23.8 million more than the Administration's FY2005 budget request.

If enacted, H.R. 4766 would prohibit funds from being used for four mandatory rural development programs under the jurisdiction of RB-CS, all of which were authorized and funded by the 2002 farm bill. H.R. 4766 would cancel \$80.0 million of the mandatory funds already available for the Value-Added Agricultural Product Market Development, but provides \$15.5 million in discretionary funding instead, as requested by the Administration. As in FY2004, the House bill also proposes prohibiting the expenditure of \$23 million in authorized mandatory funds for the Renewable Energy Systems program, but provides \$23 million in discretionary funds instead, which is close to what is available for FY2004 and \$12.2 million more than requested. H.R. 4766 also prohibits the use of any mandatory funds to carry out the provisions of the Rural Business Investment Fund. The Administration had requested cancelling a portion of mandatory grant funding for this program and reducing the cost of guaranteeing debentures from the authorized level of \$280 million, down to \$60 million. H.R. 4766 also prohibits any funds to carry out the provisions of the mandatory Rural Strategic Investment Fund. The Administration had similarly requested those funds for this program be cancelled.

H.R. 4766 also provides \$11.4 million for the Empowerment Zone / Enterprise Community Program, a slight decrease below funding for FY2004. The Administration had requested no funding for the program.

Rural Utilities Service. As passed by the House, H.R. 4766 provides an FY2005 appropriation of \$91.2 million for RUS, \$10.5 million below the enacted level for FY2004. The House-passed level would support an FY2005 loan

authorization level of \$5.53 billion, \$1.05 billion less than authorized for FY2004, but \$2.06 billion more than the budget request. H.R. 4766 cancels \$40.0 million of the mandatory funds available for the Enhancement of Rural Access to Broadband Service authorized in the 2002 farm bill. For other broadband telecommunication loans, the committee provides loan subsidies of \$9.9 million and a loan authorization level of \$464.0 million, a decrease in loan subsidies of \$3.2 million and \$134.1 million in loan authorization from FY2004. H.R. 4766 also recommends \$9.0 million in broadband grants for which there was no budget request. For the distance learning and telemedicine program, H.R. 4766 recommends \$25 million in grants, \$13.7 million less than enacted for FY2004, and the same as the budget request. H.R. 4766 also recommends \$50.0 million in loan authorization for distance learning, a \$250 million reduction from FY2004. A loan authorization of \$4.32 billion in direct and guaranteed electric loans is recommended by the committee for FY2005, a \$669.4 million reduction from FY2004 and \$1.68 billion more than requested. H.R. 4766 also recommends a \$4.84 billion loan authorization level for telecommunication loans, \$1.71 billion more than requested and \$663 million less than enacted for FY2004.

Rural Housing Service. In part to support a total request of \$4.63 billion in rural housing loans, H.R. 4766, as passed by the House, recommends \$1.36 billion in budget authority for the Rural Housing Service. While this is about \$10 million less than enacted for FY2004, it provides \$301.3 million more in loan authorization level than in FY2004. Section 502 single family direct and unsubsidized guaranteed loans are the largest program in the Rural Housing Insurance Fund Program account. For these programs, H.R. 4766 recommends \$4.41 billion in loan authorization and \$161 million in loan subsidies. This amount is \$348.8 million more in loan authorization than enacted for the Section 502 program in FY2004, and approximately \$4 million less in loan subsidies. The budget request was for \$584 million less in loan authorization than provided by H.R. 4766, but the loan subsidy amount is the same as requested.

H.R. 4766 provides \$586.1 million for the Section 521 rental assistance payments program, up from \$574.7 million in FY2004. For Section 515 rental housing loans, H.R. 4766 provides \$116.1 million in loan authorization, essentially the same as enacted for FY2004 and \$56.1 million more than requested. For Section 515 loan subsidies for rental housing repair and rehabilitation, H.R. 4766 provides \$54.7 million, \$26.4 more than the budget request and \$4.8 million more than available for FY2004. For Section 504 housing repair grants, H.R. 4766 provides \$10.2 million, the same as the budget request and nearly the same amount as enacted for FY2004. For Section 538 multi-family housing guarantees, H.R. 4766 provides \$100.0 million in loan authorization, the same as the budget request and nearly the same as enacted for FY2004. Recommended loan subsidies for the Section 538 program are the same as requested (\$3.5 million), down from \$5.9 million in FY2004. H.R. 4766 provides \$36.7 million, the same as the budget request, for farm labor housing loan subsidies and grants. This level would keep funding for this program at approximately the same levels as enacted for FY2004. Consistent with the Administration's request, H.R. 4766 also prohibits the \$10 million in mandatory funds authorized in the 2002 farm bill for rural firefighters and emergency personnel.

For more information on USDA rural development programs, see CRS Report RL31387, *An Overview of USDA Rural Development Programs*.

Food and Nutrition Programs

For FY2005, the Administration has requested budget authority totaling \$50.13 billion for all of the domestic food and nutrition programs administered by the USDA. These include the food stamp and related programs, child nutrition programs, the special supplemental nutrition program for women, infants and children (WIC), and commodity donation programs for the needy and elderly. The House-passed agriculture appropriations bill (H.R. 4766) would provide a total of \$50.24 billion for these programs for FY2005, or \$111 million more than the Administration, with most of the difference coming from higher proposed funding for WIC.

Both the Administration and H.R. 4766 recommend higher funding for nutrition programs than FY2004 projected spending of \$47.26 billion. Most of the additional spending is based on current policy projected increases in benefit costs and participation, rather than policy changes. However, some new costs related to a proposal to exclude combat pay from household income used to determine food stamp eligibility and benefits are included in both FY2005 proposals.

Food Stamps. The Administration would fund food stamp and related programs at a total of \$33.6 billion in FY2005 — \$2.7 billion more than projected FY2004 spending for these programs, and nearly the same as the amount in the House-passed bill. Both the Administration request and the House-passed bill provide that \$3 billion of the total amount be used as a contingency reserve fund, and \$140 million be used to buy commodities for the Emergency Food Assistance Program (EFAP). The House total includes an adopted floor amendment that adjusts administrative payments to states to account for added costs related to relocating EBT system call centers.

Both the Administration and H.R. 4766, as passed by the House, propose that \$30.5 billion be used for food stamp and related program expenses; \$1.45 billion of which is for Nutrition Assistance for Puerto Rico. Food stamp expenses also would fund, at an estimated cost of \$77.5 million, the Food Distribution Program on Indian Reservations (FDPIR), an alternative to food stamps for those living on or near Indian reservations. This does not reflect a \$4 million bison meat purchase for the FDPIR that was funded in FY2004 and is recommended by H.R. 4766 but not included in the Administration request. Both the Administration and H.R. 4766 add language to appropriations that would exclude combat pay from household income used to determine eligibility and benefits for food stamps, at an estimated cost of \$3 million in FY2005.

Child Nutrition. Child nutrition programs would receive a total of \$11.38 billion in FY2005 under both the Administration budget and H.R. 4766. This funding is expected to fully finance program operations. These programs include the school lunch, breakfast, child and adult care, summer food, and special milk programs, and related support. Recommended funding is slightly less (\$36.9 million) than total projected spending for these programs in FY2004 (\$11.42 billion), largely because

\$263 million in unexpended FY2004 school lunch funding will be available for use in FY2005. It is expected that the proposed funding (with carryover) will support reimbursements for 4.9 billion lunches in FY2005.

Funding increases are assumed by both the Administration and H.R. 4766 for the school breakfast, child and adult care food, special milk, and summer food programs to reflect projected participation growth and reimbursement rate inflation. To offset the effects of rescissions in FY2004 funding, slight funding increases are expected for Team Nutrition, food safety education, and several administrative activities. No spending is proposed for the Child Nutrition Integrity Project (which received just under \$5 million in FY2004) or for the School Breakfast Pilot program, common roots program, and child nutrition archive center, none of which were funded in FY2004.

A new performance measurement and program assessment would be funded at \$4 million under the Administration proposal. The House does not mention this in its bill or report (H.Rept. 108-584), but notes that child nutrition reauthorization legislation had not yet passed the Senate at the time of committee action. This legislation was left pending at the end of the first session; however, the Child Nutrition and WIC Reauthorization Act of 2004 (P.L. 108-265, S. 2507) was signed into law on June 30, 2004. It contains performance integrity provisions as well as other program changes that could impact child nutrition program costs in FY2005.

WIC Program. The Administration requests \$4.787 billion for the WIC program for FY2005. This program provides monthly food supplements to low income pregnant and postpartum women and children under age 5. The request is \$175.4 million more than the \$4.612 billion appropriated for the program in FY2004, and \$120 million less than the amount contained in the House-passed appropriations bill. The Administration estimates that its WIC funding proposal would serve an average monthly caseload of 7.86 million, up from a projected 7.8 million in FY2004.

The House-passed level of \$4.907 billion in H.R. 4766 reflects more recent estimates of higher food costs than those projected when the Administration budget was submitted. Under the Administration proposal, WIC grants to states for food would total \$3.45 billion in FY2005, up from an estimated \$3.3 billion in FY2004. The House Appropriations Committee does not specify the amount for food grants, but concurs with the Administration proposal to use \$14 million of the appropriated funds for infrastructure grants and management information systems. Under the Administration proposal, funding for performance measurement and assessment would rise from \$2 million to \$7.25 million; state management information systems would be funded at \$20 million (down from \$24.9 million in FY2004), and funding for breastfeeding counselors would rise from \$15 million to \$20 million. There also would be a \$1 million increase in funding childhood obesity prevention projects (\$4 million in FY2004). The House committee does not refer to most of these activities or specify funding for them, except for the breastfeeding initiative, which would be funded at last year's level of \$15 million. H.R. 4766 does not support the Administration proposal to strike language restricting the use of WIC funds for

studies and evaluations.³ A provision in FY2004 appropriations law that restricted funding for other activities if needed to maintain caseload is deleted in both the Administration request and H.R. 4766. Also deleted by both the Administration request and the House bill is the contingency fund for the WIC program (\$125 million in FY2004), and the specified use of WIC funds for the farmers' market nutrition program (FMNP). Funded at \$22.9 million in FY2004 as part of the WIC account, the FMNP would be funded at \$20 million under both the Administration request and H.R. 4766 as part of the Commodity Assistance Program (CAP) account. This would leave more funds available for WIC program expenses, but it has been opposed in the past by farmers' market advocates who fear that separation would lessen support for farmers' markets and reduce the availability of fresh farm goods to WIC participants.

Commodity Assistance Programs. Funding for Commodity Assistance Programs (CAPs) would total \$169.4 million under the Administration budget in FY2005. This is \$3.5 million less than the \$172.9 million appropriated for the same programs in FY2004.⁴ H.R. 4766 proposes to fund these programs at \$178.8 million, an increase of just under \$6 million above FY2004 funding. Programs included in this budget category are (1) the commodity supplemental food program (CSFP), which provides monthly food packages to low income mothers, young children, and elderly in projects in 33 states and two Indian reservations; (2) the emergency food assistance program (EFAP), which provides foods to the needy and homeless in all states, and (3) the farmers' market nutrition program (FMNP), which currently provides vouchers to WIC participants for the purchase of fresh foods at farmers' markets. The food donations program, which funds disaster assistance and food assistance to the Nuclear Affected Islands, also is in the CAP grouping.⁵ It would be funded at \$1.08 million in FY2005 both under the Administration request and in H.R. 4766, up slightly from \$1.075 million in FY2004. The largest of the CAPs, the CSFP would be funded at \$98.3 million (the same as in FY2004) under the Administration proposal, and at \$107.7 million under H.R. 4766. The increased funding in the House-passed bill together with \$6.5 million in available commodity inventory for FY2005 is expected to prevent caseload slots from being cut from the elderly portion of CSFP. Administrative grants for EFAP would be funded at \$50 million under both the Administration request and the House-passed level. This is slightly more than the \$49.7 million provided in FY2004. The FMNP, which the Administration and House propose to remove from the WIC funding category, would be funded at \$20 million under the CAP account, down from the \$22.9 million it received from the WIC account in FY2004.

³ FNS funding for nutrition studies and evaluations of their programs was prohibited several years ago by appropriations laws, which transfer funding for this to the USDA, Economic Research Service.

⁴ The FY2005 funding includes funding for the FMNP, which was not funded in the CAP account in FY2004. CAP received \$150 million in FY2004; the FMNP received \$22.9 million, thus bringing the comparable totals for these programs in FY2004 to \$172.9 million.

⁵ Funding for the Elderly Nutrition Program, formerly part of food donations programs funded by USDA appropriations, was transferred in FY2003 appropriations to the Department of Health and Human Services' Office of Aging, which administers Older Americans Act programs.

Both the Administration budget notes and the House committee report note the transfer of \$15 million in mandatory funding from the Commodity Credit Corporation (CCC) for the continued operation of the Senior Farmers' Market Program, which was created and funded under Section 4402 of the 2002 farm bill (P.L. 107-171). This program uses federal funds to provide coupons for low-income senior citizens to buy fresh, unprepared foods at farmers' markets, roadside stands, and community supported agriculture programs.

For more information on USDA food and nutrition programs, see CRS Report RL31577, *Child Nutrition and WIC Programs: Background and Funding* and the CRS Briefing Book page on Food Stamps.

Food and Drug Administration (FDA)

The Food and Drug Administration (FDA), an agency of the Department of Health and Human Services (DHHS), is responsible for regulating the safety of foods, drugs, biologics (e.g., vaccines), and medical devices. The agency is funded by a combination of congressional appropriations and various user fee revenues, assessed primarily for the pre-market review of drug and medical device applications. The House-passed appropriations bill (H.R. 4766) recommends an appropriation of \$1.463 billion, a 6% increase over the FY2004 enacted appropriation of \$1.379 billion, but 2% below the Administration's FY2005 budget request of \$1.495 billion. In addition to appropriated funds, the total amount of user fees to be collected each year is set in FDA's annual appropriations act. The House-passed bill recommends that FDA be authorized to collect a total of \$326.3 million in user fees during FY2005, the same amount as the President requested, and 14% higher than the \$286.5 million in estimated user fee collections for FY2004. Added together, H.R. 4766 recommends a total FY2005 program level (appropriations and user fees combined) of \$1.789 billion, a 7% increase from the \$1.665 billion available in FY2004, but a 2% decrease from the \$1.821 billion in the President's request.

For the first time, the President's FY2005 budget request does not contain an amount for the maintenance of buildings and facilities. H.R. 4766 concurs with this decision and provides no funding for this category. If the recommendation is adopted, FDA will have to absorb the costs of maintaining its facilities with its program funds. For FY2004, Congress provided \$7 million for buildings and facilities.

Counterterrorism. The House-passed appropriations bill contains a total of \$223.6 million for counterterrorism in FY2005, \$21.4 million less than the President's recommendation of \$245 million, but a 26% increase from \$177.2 million in FY2004. (See **Table 3**, below.) This funding is part of each program center's request and is included in the total appropriation approved for FDA.

Most of the increase in the requested counterterrorism funding is for food defense. Of the additional \$43.4 million for food defense, the House provides \$23 million for the Food Emergency Response Network (FERN), a nationwide FDA-FSIS network of federal and state laboratories capable of testing the safety of

thousands of food samples within days for biological, radiological, and chemical threat agents. About \$9 million would fund research on the amount of infectious pathogenic organisms that could make people ill, and on strategies to identify characteristics of agents in specific foods and to prevent their introduction. About \$7 million is for 97,000 food import field inspections, up 60% from the number for FY2004. In addition, \$1.8 million is to increase crisis management capability by boosting FDA's rapid and coordinated response to food threats and food-associated crises and \$2.5 million is for biosurveillance activities.

In addition to the increase of \$43.4 million for food defense funding, the House provided \$5 million for medical countermeasures. Funding for medical countermeasures would be spread over the other categories in **Table 3**. Some activities would be funded under Project BioShield, a program designed to help ensure that medical products for use in the event of war or catastrophic events are reviewed and approved quickly for safety and effectiveness. The funding also would allow FDA to devote more personnel, with specific scientific expertise in fields such as infectious diseases and radiation, to assist companies in developing new countermeasures. It also would allow FDA to implement regulations to provide for "emergency use authorization" when the countermeasure is still in a developmental stage. (For more information, see CRS Report RL31853, *Food Safety Issues in the 108th Congress*.)

Table 3. FDA Counterterrorism Funding, FY2004-FY2005
(\$ thousand)

Program	FY2004	FY2005 Administration Request	FY2005 House Recommendation
Food Safety and Defense	\$115,660	\$180,660	\$159,027
Drugs	19,062	22,062	22,062
Biologics	25,543	25,543	25,543
Device & Radiological Health	5,731	5,731	5,731
Toxicological Research	3,173	3,173	3,173
Other Activities	1,409	1,409	1,409
Rent	6,660	6,660	6,660
Total	\$177,238	\$245,238	\$223,605

Source: FDA's Office of Budget and Budget Formulation. June 25, 2004.

Food Issues. The House recommends that the foods program of the Center for Food Safety and Applied Nutrition have a budget of \$446.7 million for FY2005, a decrease of 5% from the Administration's request of \$470 million, but a 9% increase over the FY2004 appropriated level of \$411 million. All of the requested increase and more will be used for food defense activities (see above). The committee wants the agency to establish an alternative mechanism to its prior

notification and import facility registration requirements for imports of food products (such as wine) that are not for human consumption so they can continue to be imported for research and analytical testing. In addition, the House recommended an increase of \$8.3 million or a total of \$29.8 million for bovine spongiform encephalopathy (BSE) or “mad cow” related problems for FDA in FY2005. The agency will also be conducting inspections to implement new rules regarding animal feed (an area of concern related to BSE), dietary supplements, and cosmetics and hopes to improve state and federal communication and training, so that states can monitor and respond better to feed contamination. In report language, the House committee directs FDA to expedite the publication of final regulations to tighten BSE safeguards for food, feed and cosmetics.

The House Appropriations Committee also adopted an amendment affecting the recall of food products, requiring FDA to list the Internet address of the food manufacturer that markets the product and to print a photograph of the food item. The agency also would be permitted to ask for a list of retailers that carry the recalled product.

The House committee stated that it expects FDA to finalize both the pre-market notification rule and related guidance documents for the labeling of genetically modified foods by giving it a high priority. In addition, it wants the agency to continue to provide \$3 million to the National Center for Food Safety and Technology (NCFST) in Illinois to work to make the nation’s food supply safe. It also wants the agency to continue funding at \$250,000 the research and educational activities on shellfish safety and *Vibrio vulnificus* being conducted by the Interstate Shellfish Sanitation Commission (ISSC) and to spend \$200,000 on getting states to work through the ISSC program on this safety. The committee also recommends that FDA, with state testing programs, test farm-raised shrimp imports for the antibiotic chloramphenicol and other antibiotics and, if tests are positive, destroy or export the shrimp. It also directs the agency to support the test method evaluation for fruits and vegetables at New Mexico’s laboratory and continue support for the Waste Management Education and Research Consortium verifying food safety technology.

Prescription Drug and Biologics Issues. In the House-passed bill, the human drug program has a program level of \$499.3 billion, slightly less than the President’s request of \$499.5 billion, but 5% over the FY2004 level of \$476.2 billion. The FY2005 drug program would come from \$294.5 million in budget authority and \$204.8 million in user fees. These user fees, collected under the Prescription Drug User Fee Act (PDUFA), would provide 41% of the total drug program’s funding. With this money, FDA would likely hire additional staff for the review of human drugs, pay for cost of living increases, and identify, with \$5 million, new medical product countermeasures against terrorism. Import monitoring and inspections have taken on a more prominent role as steadily increasing amounts of drug products are being imported under FDA’s “personal use” import policy.

The House-passed bill also contains a provision that prohibits FDA from using funds to enforce the current statute that bans importation of prescription drugs by parties other than drug companies. (For more on this issue, see the CRS congressional distribution memorandum *Senate Prescription Drug Importation Legislation*, available from the co-author at 707-7285.) The committee commends

the generic drugs program for expediting the review of applications and directs the agency to maintain spending at \$56 million. It also directs that \$15 million be available for grants and contracts under the Orphan Drug Act to accelerate the development and approval of orphan drugs. The FY2005 biologics program would be funded through \$123.8 million in appropriations and \$40.4 million in user fees. These PDUFA user fees would provide 25% of the total program's funding. The committee also wants the agency to encourage development of diagnostic tests for rare diseases and the exploration of potential surrogate endpoints and the fast-track approval process to make drugs available for serious and life-threatening orphan diseases.

The House adopted by voice vote a floor amendment that would allow over-the-counter sales of the contraceptive Plan B. In May, FDA had decided to not allow Plan B to be sold without a prescription. The House amendment bars FDA from using its FY2005 funding "to restrict to prescription use a contraceptive that is determined to be safe and effective for use without the supervision of a practitioner licensed by law to administer prescription drugs."

Medical Device Issues. The House-passed bill provides \$232.6 million for the FDA device program in FY2005, which is 1% below the President's request of \$235 million, but an increase of \$26.8 million, or 12%, over the FY2004 appropriation of \$208.3 million. The Medical Device User Fee and Modernization Act (MDUFMA) of 2002 (P.L. 107-250) required that FDA's appropriation level for the medical device program meet a statutory minimum in order to implement the program. Part of the reason for the large increase is that this level would provide the resources needed to allow FDA to hire 400 new reviewers. The funding provided is based on an expectation that this investment will significantly reduce review times for medical devices.

Women's Health Issues. The House committee provided the Office of Women's Health in the Office of the Commissioner a total of \$4 million, which includes \$325,000 over the Administration's request, because the committee stated that they support the collection of data to find the differences between men's and women's diagnoses, treatment, and outcomes for a given disease. As part of this total, the House directs that \$250,000 be used for analysis related to cardiovascular disease in women and \$75,000 be used to continue and expand the hormone therapy education program.

Commodity Futures Trading Commission (CFTC)

The Commodity Futures Trading Commission (CFTC) is the independent regulatory agency charged with oversight of derivatives markets. The CFTC's functions include oversight of trading on the futures exchanges, registration and supervision of futures industry personnel, prevention of fraud and price manipulation, and investor protection. Although most futures trading is now related to financial variables (interest rates, currency prices, and stock indexes), Congressional oversight is vested in the Agricultural Committees because of the market's historical origins as an adjunct to agricultural trade.

The House-passed appropriations bill for FY2005 (H.R. 4766) recommends an appropriation of \$93.3 million, which is \$2 million below the Administration request of \$95.3 million, but \$3.4 million above the enacted FY2004 level. CFTC has been investigating whether certain commodity traders may have had advance knowledge of the discovery of bovine spongiform encephalopathy (BSE, or mad-cow disease). Report language (H.Rept. 108-584) accompanying the House bill directs CFTC to submit a report of its findings to the committee as soon as the investigation is concluded.

**Table 4. USDA and Related Agencies Appropriations,
FY2005 Congressional Action vs. FY2004 Enacted**

(budget authority, in millions of \$)

Agency or Major Program	FY2004 Enacted (1)	FY2005 Admini- stration Request	FY2005 House- Passed Bill	FY2005 Senate Bill	FY2005 Con- ference
Title I — Agricultural Programs					
Agric. Research Service (ARS)	1,145.9	1,165.6	1,259.0	**	**
Coop. State Research Education and Extension Service (CSREES)	1,113.0	1,005.5	1,141.1	**	**
Economic Research Service (ERS)	71.0	80.0	76.6	**	**
National Agric. Statistics Serv.(NASS)	128.2	137.6	128.7	**	**
Animal and Plant Health Inspection Service (APHIS)	721.3	833.4	836.8	**	**
Agric. Marketing Service (AMS)	93.7	103.1	93.0	**	**
Grain Inspection , Packers and Stockyards Admin. (GIPSA)	35.7	44.2	37.5	**	**
Food Safety & Inspection Serv. (FSIS)	779.9	838.7	824.7	**	**
Farm Service Agency (FSA) - Total Salaries and Expenses	1,272.2	1,320.9	1,357.9	**	**
FSA Farm Loans - Subsidy Level	195.5	161.2	158.0	**	**
<i>*Farm Loan Authorization</i>	<i>3,246.2</i>	<i>3,803.3</i>	<i>3,818.3</i>	**	**
Risk Management Agency (RMA) Salaries and Expenses	71.0	91.6	72.0	**	**
Federal Crop Insurance Corp. Fund (2)	3,765.0	4,095.1	4,095.1	**	**
Commodity Credit Corp. (CCC) (2)	22,937.0	16,452.4	16,452.4	**	**
Other Agencies and Programs	518.8	633.3	394.4	**	**
Total, Agricultural Programs	32,848.1	26,962.5	26,927.2	**	**
Title II — Conservation Programs					
Conservation Operations	848.0	710.4	854.1	**	**
Watershed Surveys and Planning	10.5	5.1	11.1	**	**
Watershed & Flood Prevention	86.5	40.2	86.5	**	**
Watershed Rehabilitation Program	29.6	10.1	30.1	**	**
Resource Conservation & Development	51.6	50.8	51.6	**	**
Farm Bill Technical Assistance	0.0	92.0	0.0	**	**
Total, Conservation	1,027.0	909.5	1,034.2	**	**

Agency or Major Program	FY2004 Enacted (1)	FY2005 Admini- stration Request	FY2005 House- Passed Bill	FY2005 Senate Bill	FY2005 Con- ference
Title III — Rural Development					
Rural Community Advancement Program (RCAP)	753.0	542.0	668.4	**	**
Salaries and Expenses	141.0	149.7	171.2	**	**
Rural Housing Service (RHS)	1,368.1	1,374.8	1,384.2	**	**
* <i>RHS Loan Authority</i>	4,329.5	4,041.7	4,686.9	**	**
Rural Business-Cooperative Service	83.5	59.0	82.8	**	**
* <i>RBCS Loan Authority</i>	54.7	59.2	59.2	**	**
Rural Utilities Service (RUS)	101.7	83.3	91.2	**	**
* <i>RUS Loan Authority</i>	6,574.5	3,466.1	5,529.0	**	**
Total, Rural Development	2,447.9	2,209.7	2,398.5	**	**
* <i>Rural Development, Total Loan Authority</i>	10,958.7	7,567.0	10,275.2	**	**
Title IV — Domestic Food Programs					
Child Nutrition Programs	11,417.4	11,380.6	11,380.6	**	**
WIC Program	4,611.9	4,787.3	4,907.3	**	**
Food Stamp Program	30,946.0	33,641.8	33,642.3	**	**
Commodity Assistance Program	149.1	169.4	178.8	**	**
Nutrition Programs Administration	137.5	152.2	133.7	**	**
Total, Food Programs	47,262.5	50,132.0	50,243.2	**	**
Title V — Foreign Assistance					
Foreign Agric. Service (FAS)	131.4	143.1	137.7	**	**
Public Law (P.L.) 480	1,318.2	1,298.4	1,291.5	**	**
McGovern- Dole Intl. Food for Educ.	49.7	75.0	75.0	**	**
CCC Export Loan Salaries	4.1	4.5	4.5	**	**
Total, Foreign Assistance	1,503.4	1,520.9	1,508.7	**	**
Title VI — FDA & Related Agencies					
Food and Drug Administration	1,385.7	1,494.5	1,462.5	**	**
Commodity Futures Trading Commission (CFTC)	89.9	95.3	93.3	**	**
Total, FDA & CFTC	1,475.6	1,589.8	1,555.8	**	**
Title VII — General Provisions	22.9	0.0	3.0	**	**
Total, before adjustments	86,587.4	83,324.5	83,670.6	**	**

Agency or Major Program	FY2004 Enacted (1)	FY2005 Admini- stration Request	FY2005 House- Passed Bill	FY2005 Senate Bill	FY2005 Con- ference
Scorekeeping Adjustments (3)	2.4	(386.0)	(449.0)	**	**
Grand Total, Including CBO Scorekeeping Adjustments	86,585.0	82,938.5	83,221.6	**	**
Emergency Appropriations: Division H, Sect.102 (FY2004 Conf. Rept.) California Wildfire Assistance (4)	175.0	0.0	0	0	0

Columns with a double asterisk (**) indicates that FY2005 bills are pending.

An item with a single asterisk (*) represents the total amount of direct and guaranteed loans that can be made given the requested or appropriated loan subsidy level. Only the subsidy level is included in the total appropriation.

(1) FY2004 enacted levels include amounts appropriated for USDA and related agencies in the Consolidated Appropriations Act, 2004 (P.L. 108-199) adjusted for the 0.59% across-the-board rescission to all non-defense, discretionary programs, as calculated by CRS.

(2) Under current law, the Commodity Credit Corporation and the Federal Crop Insurance Fund each receive annually an indefinite appropriation ("such sums, as may be necessary"). The amounts shown are USDA estimates of the necessary appropriations, which are subject to change.

(3) Scorekeeping adjustments reflect the savings or cost of provisions that affect mandatory programs (as estimated by the Congressional Budget Office), plus the permanent annual appropriation made to USDA's Section 32 program. For the FY2005 Administration request, scorekeeping adjustments are unofficial estimates based on Administration budget documents, and do not reflect an official CBO score, which is pending.

(4) Division H of P.L.108-199 contained \$225 million in supplemental funding for various USDA assistance programs (including \$50 million for USDA's Forest Service, which is funded under the Interior appropriations bill). Spending for this assistance was offset in the conference agreement by a mandated rescission of \$225 million from the Federal Emergency Management Agency (FEMA).