95-624 ENR

CRS Report for Congress

Appropriations for FY1996: Agriculture

One of a series of CRS Reports on FY1996 appropriations

Ralph M. Chite
Specialist in Agricultural Policy
Environment and Natural Resources Policy Division

Updated October 27, 1995

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Appropriations for FY1996: Agriculture

Summary

On October 21, 1995, the President signed into law the FY1996 agriculture appropriations act (P.L. 104-37 / H.R. 1976). The act provides $13.3 billion in budget authority to fund the discretionary programs of the U.S. Department of Agriculture (USDA) and related agencies, an amount that is $18 million more than FY1995 (after FY1995 rescissions), and $1.6 billion below the FY1996 Administration request. Including mandatory programs (primarily the farm commodity price and income support programs, and certain nutrition programs), P.L. 104-37 authorizes total new budget authority of $63.1 billion, compared with FY1995 funding of $67.9 billion, and the FY1996 Administration request of $66.9 billion.

Among the major provisions of P.L. 104-37 as reported by conferees are:

- a $10.4 billion appropriation to USDA's Commodity Credit Corporation (CCC), the financing mechanism for the farm price support programs, to reimburse the CCC for its net realized losses. Attempts to reduce or eliminate support for farm commodities were thwarted during the appropriations process, but are being considered in the context of budget reconciliation;
- authority for $3.2 billion in new direct and guaranteed USDA farm loans, about equal to FY1995 funding, with slightly more funding for direct farm loans;
- $211 million less than FY1995 for USDA's rural development programs. P.L. 104-37 consolidates water and waste facility loans and grants into one account, preserves most of the funding for direct low-income housing loans, but significantly reduces the intermediary re-lending loan program;
- allows for full funding of USDA export assistance programs, but restricts eligibility for the Market Promotion Program to small businesses or farmer-owned cooperatives;
- an increase in total funding over FY1995 for USDA's conservation programs, but reduced funding for the Wetlands Reserve Program and a continued restriction on new enrollments in the Conservation Reserve Program;
- a reduction in the food stamp program contingency reserve to $500 million, compared with the $2.5 billion provided in FY1995 and requested by the Administration for FY1996. For the Women, Infant, and Children (WIC) feeding program, P.L. 104-37 provides $280 million more than FY1995 program;
- support for agricultural research and education programs at close to FY1995 levels; and
- language that effectively prohibits USDA from enforcing regulations it recently promulgated, that would have prohibited processors from labeling poultry products chilled to below 26 degrees as "fresh."

Contributors

Name	Area of Expertise	CRS Division	Telephone
Ralph M. Chite	Coordinator and USDA Budget	Environment & Natural Resources	7-7296
Jeffrey A. Zinn	Conservation Programs	Environment & Natural Resources	7-7257
Jean Yavis Jones	Domestic Food Assistance	Environment & Natural Resources	7-7331
Joe Richardson	Domestic Food Assistance	Education & Public Welfare	7-5885
Jean M. Rawson	Research and Education	Environment & Natural Resources	7-7283

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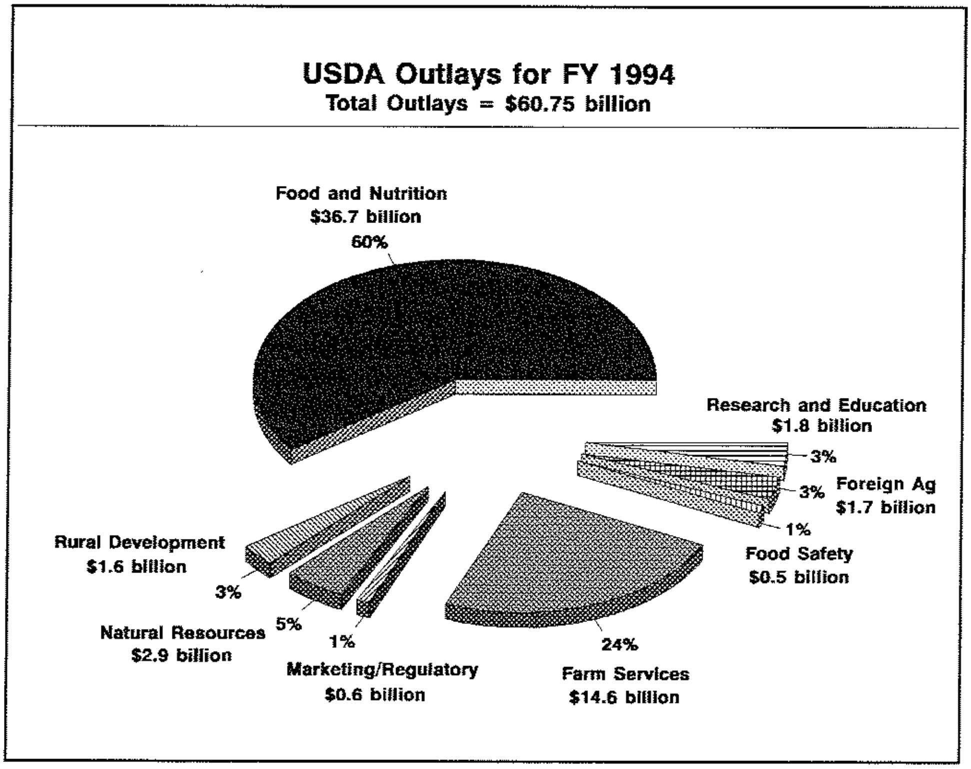
Appropriations for FY1996: Agriculture

The USDA Budget at a Glance

The U.S. Department of Agriculture (USDA) carries out its widely varied responsibilities through approximately 30 separate internal agencies staffed by some 109,000 employees. Farmer programs represented nearly one-fourth of the total outlays of USDA in FY1994 (see Figure 1). (To date, FY1995 data were not yet available.) The largest expenditures for agriculture are by far for commodity price and income support programs for producers of wheat, feed grains, rice, cotton, dairy, peanuts, sugar, wool and mohair, and honey, which are financed through the USDA Commodity Credit Corporation (CCC). Some of the other activities in the farm services portion of the agency's budget include export programs, farm credit, crop insurance, and some conservation programs.

Figure 1.



USDA is also responsible for many activities outside of the agriculture budget function. Hence, spending for USDA is not synonymous with spending for farmers. Sixty percent of its FY1994 budget was devoted to the programs of its Food, Nutrition and Consumer Services, primarily the Food Stamp program (the costliest of all USDA programs), various child nutrition programs, and the Women, Infants and Children (WIC) program. Another 5% of its outlays were for natural resources and environmental programs, many of which are administered by the Forest Service and the Natural Resources Conservation Service. USDA rural development programs (3% of FY1994 outlays), research and education (3%), foreign agricultural services (3%), meat and poultry inspection (1%), and marketing and regulatory programs (1%), account for the balance of outlays.

USDA's programs receive their funding from a variety of sources. Annual and supplemental appropriations provide only part of the money. The remainder comes from permanent appropriations, trust funds, offsetting receipts, and other sources. Federal appropriations, therefore, are only a partial measure of, or limit on, USDA's program operations.

Three omnibus, multi-year statutes now guide spending for farm commodity and many other USDA programs: the Food, Agriculture, Conservation and Trade Act of 1990 (P.L. 101-624, also known as the 1990 farm bill); the Omnibus Budget Reconciliation Act (OBRA) of 1990 (P.L. 101-508); and the Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66). In addition, an annual USDA appropriations law (P.L. 104-37) spells out spending details for various agency activities for FY1996 including conservation, international trade and aid programs, farm credit, research and extension, and rural housing and development.

Status

Status of Appropriations Legislation: Agriculture, Rural Development, and Related Agencies, P.L. 104-37 / H.R. 1976

Subcommittee Markup		House Approps. Comm. Markup	House Passage	Senate Approps. Comm. Markup	Senate Passage	Conference Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
6/14/95	9/13/95	6/27/95 H.Rept. 104-172	7/21/95	9/14/95 S. Rept. 104-142	9/20/95	9/27/95 H. Rept 104-268	10/12/95	10/12/95	10/21/95 P.L. 104-37

Major Funding Trends

In recent years, USDA programs have accounted for more than 98 percent of the total budget authority made available in the annual agriculture, rural development, and related agencies appropriations bill. Nearly three-fourths of

USDA spending is classified as *mandatory*, which by definition occurs outside the control of annual appropriations. The vast majority of USDA mandatory spending is for the food stamp program and certain other nutrition programs; the farm commodity price and income support programs; and the conservation reserve program. Eligibility for mandatory programs is defined in an authorizing statute, and any individual or entity that meets the eligibility requirements is entitled to a payment or benefit as authorized by the law.

Despite their mandatory status, the food and nutrition programs and the conservation reserve program still receive an annual appropriation based on projected spending levels. Supplemental appropriations generally are made if and when these estimates fall short of required spending. An annual appropriation is also made to reimburse the Commodity Credit Corporation for losses it incurs in financing the commodity support programs. Since farm commodity price and income support programs are a significant portion of the USDA budget, and spending levels among these programs are erratic and unpredictable, total USDA spending is also highly variable (see table 1).

The balance of USDA spending is for *discretionary* programs, for which funding is determined by annual appropriations. Among the major discretionary programs within USDA that are funded by the annual agriculture appropriations bill are its rural development programs, research and education programs, agricultural credit, the Women, Infants, and Children (WIC) program, and the Public Law (P.L.) 480 international food aid program.

Table 1. U.S. Department of Agriculture and Related Agencies Appropriations, FY1991 to FY1996

(budget authority in billions of dollars)

	FY1992	FY1993	FY1994	FY1995	FY1996
Discretionary	$12.28	$13.88	$14.59	$13.29	$13.31
Mandatory	$39.75	$46.88	$56.25	$54.61	$49.78
Total Budget Authority	$52.03	$60.75	$70.84	$67.90	$63.09

Source: Congressional Budget Office

Key Policy Issues

Recent Congressional Action

On October 21, 1995, the President signed into law the FY1996 agriculture appropriations act (P.L. 104-37 / H.R. 1976). P.L. 104-37 provides $13.3 billion in budget authority to fund the discretionary programs of the U.S. Department of Agriculture (USDA) and related agencies, an amount that is $18 million more than FY1995 (after FY1995 rescissions), and $1.6 billion below the Administration request. Including mandatory programs (primarily the Commodity Credit Corporation and certain nutrition programs), P.L. 104-37 authorizes total new budget authority of $63.1 billion, compared with the Administration request of $66.9 billion, and the FY1995 enacted level of $67.9 billion.

The following is a summary of the major provisions of P.L. 104-37:

Commodity Credit Corporation

P.L. 104-37 provides $10.4 billion for reimbursement for the net realized losses of the Commodity Credit Corporation (CCC), the same amount as in the House and Senate bills and the Administration request. The CCC is a revolving financing mechanism within USDA, through which it supports more than a dozen specified commodities under guidelines set forth by omnibus, multi-year farm bills. These crops include grains, cotton, milk, sugar, peanuts, wool, and tobacco. The formulas that determine payments under these programs are set by long-term legislation, and benefits must be provided to any participating producer. The CCC serves as a funding mechanism for several USDA export subsidy programs as well.

Because the price and income support programs are mandatory spending programs, they do not require appropriations to the CCC for annual program outlays. The CCC borrows funds from the Treasury to fund its operations. However, because CCC outstanding borrowing cannot exceed $30 billion, the annual appropriations bill usually contains funding for a "reimbursement of CCC net realized losses" so that the CCC can repay its debt to the Treasury and not exhaust its borrowing authority. Therefore, the $10.4 billion authorized for FY1996 is not driven by what CCC spending is expected to be in FY1996, but rather by what actual spending was in FY1994. (For more information on the operations of the CCC, see CRS Report 94-575 ENR, *Farm Commodity Programs: Financing and Costs.*)

Although the farm commodity support programs are not subject to annual appropriations, House opponents of the programs viewed the FY1996 agriculture appropriations bill as a potential vehicle for making program cuts. All attempts to reduce program funding were either defeated in committee or were withdrawn before floor consideration. Separate amendments were defeated in the House Appropriations Committee markup of H.R. 1976 that would have limited funding for the peanut price support program; eliminated Government assistance to tobacco growers; and prohibited commodity payments to any producer with off-farm income in excess of $100,000 (which was also defeated on the House floor).

Authority for most of the price and income support programs that are financed by the CCC expires at the end of this year. The reauthorization of these programs through the end of the century is usually the principal subject of a periodic omnibus farm bill. However the future of farm program spending is being addressed in the context of the seven-year omnibus budget reconciliation bill. The conference agreement on the FY1996 balanced budget resolution assumed a $13.4 billion reduction in CCC spending over 7 years, compared with $4.2 billion over 7 years in the Administration's balanced budget proposal. For more information on how CCC programs could be affected by the budget resolution and reconciliation, see CRS Issue Brief IB95031, *Agriculture and the Budget.*

Crop Insurance and Disaster Assistance

Because of the large budget costs associated with maintaining both a disaster payment program and a crop insurance program, Congress passed legislation (Title I of P.L. 103-354) in 1994 that combines the crop insurance program with a permanent disaster payment program. The Administration-recommended reform adopted in P.L. 103-354 combines the policy tools of crop insurance and disaster payments, and offers basically "free" catastrophic coverage to all crop producers beginning with the 1995 crop year. (For more information on the program reform, see CRS Report Number 94-836 ENR, *The Federal Crop Insurance Reform Act of 1994.*)

As requested by the Administration, P.L 104-37 provides full funding for the Federal crop insurance program in FY1996. Although most of the cost of the program is mandatory spending, it is still subject to annual appropriations. Because crop losses caused by natural disasters are impossible to predict, Congress authorized "such sums as are necessary" in FY1995, and the Administration requested the same for FY1996 program losses, an amount estimated to be $1.26 billion. A portion of the administrative and operating expenses of the administering agency is also subject to annual appropriations, and is included within the budget of USDA's Consolidated Farm Service Agency (CFSA).

The conference report deletes language in the Senate version of H.R. 1976 that would have prohibited funds from being spent on the CCC-funded emergency feed assistance programs, if eligible livestock producers have crop insurance available. The emergency feed programs provide assistance to livestock producers who lose a significant portion of their feed crops to a natural disaster. Driving the debate was criticism that a producer should not be eligible for both crop insurance and emergency feed assistance.

Report language in the House version of H.R. 1976 directs USDA to initiate a five-State pilot program in crop year 1996 that would allow private insurance companies to be the sole providers of catastrophic coverage. The current program operates under a dual delivery system that allows any eligible producer to obtain catastrophic coverage from either a USDA office or a private company. Supporters of the report language contend that dual delivery is costly and duplicative. The Senate report does not concur with the House language and instead expresses concern that the delivery of catastrophic coverage might be adversely affected if producers cannot purchase coverage directly from USDA, particularly in areas where there are a small number of private insurers.

Farm Loan Programs

USDA serves as a lender of last resort for family farmers unable to obtain credit from a commercial lender. (Prior to the 1994 reorganization of USDA, farm loan programs were administered by USDA's Farmers Home Administration, but are now a function of the newly formed Consolidated Farm Service Agency.) USDA provides direct farm loans and also guarantees qualified loans from commercial lenders, which are used to finance the purchase of farm real estate and help producers meet their operating expenses. Emergency disaster loans also are available at a subsidized interest rate to assist producers affected by a natural disaster.

P.L. 104-37 continues the recent trend of focusing most of USDA's farm loan resources toward loan guarantees rather than direct loans. However, the measure does provide for a $50 million increase in direct farm operating loans. P.L. 104-37 concurs with the Senate version of the bill authorizing USDA to provide a total of $3.2 billion in direct and guaranteed loans. It authorizes $610 million in farm ownership loans ($60 million in direct loans and $550 million in guaranteed loans) and $2.45 billion in farm operating loans ($550 million in direct loans and $1.9 billion in loan guarantees).

For the second consecutive year, P.L. 104-37 provides no funding for loans to borrowers to purchase USDA acquired property, although the Administration had requested $45 million and the House and Senate bills provided approximately $22 million. Also for the second year, no funds will be available for soil and water loans, which were designed to help farmers conserve land and water resources.

Under budget rules adopted in 1990, Federal agencies are required to estimate the cost of making a direct or guaranteed loan and record that cost as the budget outlay for the loan. The cost of making a loan 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. Appropriators estimate that the cost of making the $3.2 billion in new direct and guaranteed farm loans they are authorizing for FY1996 would be just under $178 million.

Rural Development

In addition to its farm loan programs, USDA also makes available loans and grants to rural residents and municipalities. Prior to the 1994 reorganization of USDA, most of its rural housing programs were administered by the Farmers Home Administration, and rural development programs within its Rural Development Administration and Rural Electrification Administration. Reorganization consolidated all of the these programs into a new mission area, Rural Economic and Community Development.

Overall, P.L. 104-37 provides $2.11 billion to fund an array of USDA rural development programs for FY1996, which is $614 million below the Administration request, and $210.7 million below the FY1995 enacted level.

The House and Senate versions of H.R. 1976 and the Administration proposed the consolidation of a number of rural development programs, but differed markedly in what programs would be consolidated. P.L. 104-37 concurs with the House provision to consolidate three programs, rural water and waste disposal loans and grants and solid waste management grants into one account, creating a Rural Utilities Assistance Program. The agreement provides $488 million in new budget authority to this consolidated program, compared with $435 million in the House bill. The Administration had proposed establishment of rural development performance partnerships, which would consolidate just over $1 billion in funding for 14 rural development programs into three areas: housing, business development, and water and waste disposal. The Senate version combined direct and guaranteed community facility loans, rental housing loans for new construction, direct and guaranteed business and industry loans, rural business enterprise grants, water and waste disposal loans and grants, and solid waste management grants into a new Rural Community Advancement Program, for which it provided $564 million in program expenditures and another $58 million for administrative expenses.

Within the rural housing loan programs of USDA, the House and Senate bills were in sharp disagreement on funding for direct Section 502 low-income rural housing loans. To compensate for the elimination of several cuts made to several USDA mandatory programs in the House bill, funding for Section 502 loans was reduced to $550 million in the House bill, compared with $900 million approved by the House Appropriations Committee and $1.2 billion requested by the Administration. The Senate bill provided $1 billion in Section 502 direct loans, the level adopted in P.L. 104-37. The estimated cost of making these loans is $146 million.

The House version had called for the elimination of most funding for the rural development loan fund program account. Under this program, loans are made to small investment groups who in turn re-lend the funds to rural businesses, community development corporations and others for rural development purposes. The Administration had requested $90 million in loans for this program and the House Appropriations Committee had provided $60 million; the House-passed bill allowed for $7.2 million in new loans. Conferees concurred with the Senate version so that P.L. 104-37 provides an FY1996 loan authorization of $37.5 million.

Table 2. U.S. Department of Agriculture Appropriations,
Budget Authority
(in millions of dollars)

USDA and Related Agencies Appropriations	FY1995 Enacted	FY1996 Request	FY1996 House-Passed Bill	FY1996 Senate-Passed Bill	FY1996 Enacted
Title I -- Agricultural Programs					
Agric. Research Service (ARS)	757.0	740.0	735.8	737.2	740.2
Coop. State Resrch. Educ. and Extension Service (CSREES)	931.7	869.8	802.4	919.1	907.5
Animal Plant Health and Inspection Service (APHIS)	448.6	442.8	446.2	434.3	440.7
Agric. Mkting. Service (AMS)	68.1	62.3	58.1	58.2	58.2
Food Safety and Inspection Service (FSIS)	525.8	594.9	540.4	563.0	544.9
Consolidated Farm Service Agency (CFSA)	796.2	817.9	790.5	811.0	798.1
Farm Lending -- Subsidy	152.8	187.5	155.6	181.8	177.8
** Farm Loan Authorization*	*3,184.8*	*3,203.9*	*3,008.3*	*3,182.4*	*3,160.8*
Federal Crop Insurance Corp.	219.1	1,263.7	1,263.7	1,263.7	1,263.7
Commodity Credit Corporation	16,500.0	10,400.0	10,400.0	10,400.0	10,400.0
Other	450.5	545.0	479.4	707.5	701.2
Total, Agricult. Programs	**21,093.7**	**16,151.1**	**15,894.1**	**16,076.3**	**16,032.3**
TITLE II Conservation Programs					
Natural Resources Conservation Service (NRCS)	801.9	1,023.7	990.0	864.9	859.0
Farmer Service Agency (FSA) Conservation Programs	1,843.3	1,979.4	1,856.8	1,831.8	1,856.8
Total, Conserv. Progs.	**2,645.9**	**3,003.8**	**2,847.4**	**2,697.3**	**2,716.5**

USDA and Related Agencies Appropriations	FY1995 Enacted	FY1996 Request	FY1996 House-Passed Bill	FY1996 Senate-Passed Bill	FY1996 Enacted
TITLE III -- Rural Economic and Community Development					
Total, Rural Dev. Programs	**2,318.6**	**2,722.0**	**1,993.4**	**2,208.6**	**2,107.9**
** Total, Rural Dev. Loan Authorization*	*5,683.0*	*4,408.0*	*4,648.4*	*4,411.2*	*5,118.8*
TITLE IV Domestic Food Programs					
Child Nutrition	7,451.4	7,920.4	7,952.4	7,952.6	7,946.0
Women, Infants and Children (WIC) Program	3,470.0	3,820.0	3,729.8	3,729.8	3,729.8
Food Stamps	28,830.7	29,762.9	27,097.8	28,097.8	27,597.8
Commodity Donation Programs	372.7	395.9	383.0	383.3	381.0
Other	125.1	191.7	108.8	107.8	108.3
Total, Food Programs	**40,229.8**	**42,090.9**	**39,271.8**	**40,271.3**	**39,762.9**
Title V -- Foreign Assistance					
Foreign Agric. Service (FAS)	108.9	120.2	114.5	115.8	115.8
Public Law (P.L.) 480	1,206.2	997.2	1,134.0	1,134.0	1,134.0
CCC Export Loans Subsidy	394.4	374.3	374.3	374.3	374.3
** Export Loan Guarantees*	*5,700.0*	*5,700.0*	*5,700.0*	*5,700.0*	*5,700.0*
Total, Foreign Assist.	**1,712.8**	**1,495.5**	**1,626.3**	**1,627.5**	**1,627.5**
Title VI -- Related Agencies					
Food and Drug Administration	884.4	883.6	881.6	874.6	878.4
Farm Credit System Financial Assistance Corporation	57.0	15.4	15.4	15.4	15.4
Commodity Futures Trading Corporation (CFTC)	49.1	59.7	49.1	54.1	53.6
Total, Related Agencies	**990.6**	**958.8**	**946.2**	**944.1**	**947.5**
CBO Scorekeeping Adjustments	(1,089.9)	491.4	(46.7)	(235.5)	(106.7)
Grand Total	**67,901.4**	**66,913.4**	**62,532.6**	**63,589.7**	**63,087.9**

Note: An item with an asterisk represents the total amount of direct and guaranteed loans that can be made given the requested or appropriated loan subsidy level. E.G., the $152.8 million in subsidy for farm loans in FY1995 supported $3.184 billion in total new loans. Only the subsidy level is included in the budget authority totals.

Source: House Appropriations Committee

Foreign Trade and Aid

USDA administers four types of export and food aid programs: export credit guarantees, programs to promote U.S. agricultural exports in foreign markets, direct export subsidies, and foreign food aid.

Export Credit Guarantees. USDA provides export credit guarantees in case of default through the CCC for the repayment of commercial credit extended to finance U.S. agricultural export sales. P.L. 104-37 concurs with the Administration request for $5.7 billion in guarantees for FY1996, of which $5.2 billion are for short-term guarantees (up to 3 years) under the GSM-102 program. GSM-102 funding in P.L. 104-37 is $200 million higher than in FY1995. A separate export credit program for emerging democracies is not funded in the bill, as requested by the Administration, since program authority expires at the end of 1995.

Market Promotion Program. The MPP supports private initiatives to promote exports of agricultural products and has been a source of controversy in recent years, as critics maintain that the program provides an unnecessary subsidy to large companies that could conduct promotion activities with their own resources. Since the MPP is funded through the Commodity Credit Corporation, the program is not subject to annual appropriations. However, appropriators can exercise control over the program by setting a limitation on program expenditures. The FY1995 agriculture appropriations act reduced MPP funding to $85.5 million from the FY1994 level of $100 million. The Administration requested a supplemental appropriation to restore the program to $110 million in FY1995, with which Congress concurred in the FY1995 rescissions legislation (P.L. 104-19).

P.L. 104-37 does not restrict the amount of funds available to the MPP in FY1996. It does, however, prohibit the granting of any MPP funds to any for-profit corporation that is larger than a small business, as defined by the Small Business Act. This restriction does not apply to farmer-owned cooperatives and trade associations. An amendment adopted on the floor of the Senate that would have also limited MPP funding to $70 million in FY1996 was not accepted by the conferees. The House-passed version of H.R. 1976 did not specify limitations on MPP spending. Separate amendments to eliminate the MPP, prohibit payments to companies with sales greater than $20 million, and disallow the use of funds to promote the sale or export of alcoholic beverage were all defeated on the House floor.

P.L. 104-37 also includes a provision (adopted in both bills) which prohibits the U.S. Mink Export Development Council, or any mink industry trade association, from participating in the MPP. Supporters of this amendment maintained that the primary beneficiary of MPP payments to the mink industry is a large Canadian company, while opponents of the amendment argued that the loss of MPP payments will hurt the U.S. mink industry.

Export Subsidy Programs. USDA also administers four export subsidy programs, under which bonus payments are made to exporters of agricultural products to enable them to be price competitive and to counter perceived unfair trade practices of competing countries. Under the terms of the GATT agreement, export subsidy practices of all signatory nations are scheduled to be reduced over a 6-year period. The largest of these export subsidy programs is the Export Enhancement Program (EEP), which is a mandatory program funded through the Commodity Credit Corporation. The Administration's budget estimates EEP program level at $958.7 million for FY1996, the maximum allowable under the Uruguay Round agreement. The conference agreement on H.R. 1976 deleted the Senate provision to cap FY1996 EEP spending at $795.5 million. Therefore, P.L. 104-37 does not contain any limitations on program expenditures.

P.L. 480. The Administration requested a reduction in funding for the P.L. 480 (Food for Peace) program, the primary means by which the United States provides foreign food assistance. The Administration budget requested a total appropriation of $997 million for P.L. 480 in FY1996, a $249 million reduction from FY1995 with the largest cut requested for Title III commodity grants for economic development. The Administration stated that its primary reason for seeking P.L. 480 cuts was the need to accommodate increased expenditures for other priority activities.

The House and Senate versions of H.R. 1976 were in agreement on providing a total appropriation of $1.134 billion for all P.L. 480 programs, a level which is $37 million more than the Administration request, but still $72 million below FY1995 levels. P.L. 104-37 maintains Title I credit sales and Title II commodity donations at virtually the same level as FY1995, compared with the Administration proposal for a $42 million reduction in Title I program level and a $25 million reduction in Title II. The final measure provides $50 million for Title III commodity grants, a $67 million reduction from FY1995, as requested by the Administration.

Conservation Programs

USDA administers an array of programs designed to help farmers and others conserve natural resources on private lands as well as public lands in the National Forest system. The Department's private land conservation programs that were originally assigned to the Soil Conservation Service and the Agricultural Stabilization and Conservation Service (ASCS) were largely consolidated in the 1994 reorganization of USDA into a newly formed Natural Resources Conservation Service (NRCS). Only three conservation programs, the Conservation Reserve Program (CRP), the Agricultural Conservation Programs (ACP), and the Emergency Conservation Program (ECP) are now housed in the Consolidated Farm Service Agency (the successor to ASCS as a result of the 1994 reorganization). The Forest Service remains a separate agency within the natural resources and environment mission area of USDA and is funded through the Interior appropriations bill.

For all programs administered through the NRCS, P.L. 104-37 provides $859 million, which is an increase from the FY1995 enacted level of $802 million, but lower than the Administration request of $1.0 billion. The Administration had requested a $117 million increase in funding (to $210 million) for the Wetlands Reserve Program (WRP), a program which allows farmers to enroll farmed or converted wetlands in exchange for a permanent easement. However, the P.L. 104-37 concurs with the Senate provision to limit FY1996 funding to $77 million, an amount sufficient to enroll up to 100,000 acres in the program. This is in contrast to the House-passed version of the bill which concurred with the FY1996 Administration request for $210 million, which would have funded an additional 300,000 acres in the program.

The largest NRCS program in terms of budget authority is Conservation Operations, through which USDA provides technical assistance to landowners. P.L. 104-37 concurs with the House provision of $630 million for conservation operations. The FY1996 Administration request for conservation operations was $646 million, with most of the $90 million increase going to technical assistance. P.L. 104-37 provides a smaller increase of $74 million over FY1995.

The House version of H.R. 1976 required that three other programs, Resource Conservation and Development, Forestry Incentives, and Colorado River Basin Salinity Control, be funded together through a block grant of $36 million, a reduction totalling $7 million from FY1995 levels for these combined programs. The Senate rejected the block grant approach and provided nearly $36 million for the three programs. Conferees also rejected the consolidation of these programs and provided $29 million to Resource Conservation, $6.3 million to Forestry Incentives and $2.7 million to the Colorado River Basin. The House and Senate bills were in agreement on eliminating all funding ($15.2 million in FY1995) for the Great Plains Conservation Program, which provides cost-share assistance to farmers and ranchers in the Great Plains region (but both the House and Senate versions had earmarked $5 million for a Grazing Lands Conservation Initiative under Conservation Operations).

The largest and oldest cost-share program, the Agricultural Conservation Program, was funded at $100 million in FY1995, a significant reduction from the $175 million to $200 million that it had been provided annually for more than two decades. For FY1996, the Administration proposed funding at $50 million, a level endorsed in the Senate bill. But the House supported funding at $75 million, the level agreed to in P.L. 104-37.

The Administration request assumes the continuation of the Conservation Reserve Program (CRP), which offers producers annual rental payments to remove highly erodible and other environmentally sensitive land from production, usually for a 10-year period. Current authority for the CRP is provided by the 1990 farm bill. These provisions allow the Department to extend the program beyond 1995 as existing contracts start to expire but do not provide authority for new funding after FY1995. The Administration expects CRP enrollment to reach the maximum of 38 million acres allowed under current law by the end of 1995, and requested $1.9 billion for FY1996 funding.

However, Congress has not appropriated funds for additional enrollment for each of the last three fiscal years. P.L. 104-37 provides $1.78 billion, sufficient to maintain existing contracts, but removes the ceiling on enrollments. That action would allow the Department to spend an additional $41 million that has accumulated in the CRP account on additional enrollments.

Conservation has been a highly visible component of the 1995 farm bill debate. At the center is the future of the widely-supported CRP. Several CRP reauthorization bills have been introduced. The only omnibus conservation bill to be introduced, S. 854 sponsored by the chairman and ranking member of the Senate Agriculture Committee, would reauthorize the CRP through 2005, modifying some of the participation priorities and setting the maximum enrollment at 36.4 million acres. CRP would be made an entitlement along with four cost-share programs and a reauthorized WRP, to be funded through the CCC. Many other ideas are being discussed and bills are reportedly being drafted.

Domestic Food Assistance

P.L. 104-37 provides $39.8 billion in budget authority for USDA-administered domestic food and nutrition programs, compared with the Administration request for $42.1 billion. The House version of H.R. 1976 provided a total of $39.3 billion in Federal spending for these programs for FY1996; the Senate version of this legislation would have appropriated $40.3 billion for food and nutrition. The main difference between the Administration and House and Senate legislation was over how much funding to put in a contingency reserve fund for food stamps.

The Administration request for FY1996 does not reflect its subsequent balanced budget plan that would cut back food and nutrition program funding by $20 billion for FY1996-2002. Likewise, spending levels for food and nutrition programs in P.L. 104-37 do not reflect spending cuts likely to occur in these programs as a result of welfare reform and budget reconciliation legislation.

Food Stamps. The food stamp program, which is the single largest nutrition program administered by USDA, reaches over 27 million low-income Americans. The Administration's FY1996 budget proposed $29.8 billion in budget authority for this program and the Puerto Rico block grant. P.L. 104-37 provides $27.6 billion, compared with $27.1 billion approved by the House when it passed H.R. 1976, and $28.1 billion in the Senate version.

Within this amount, the Administration requested $2.5 billion in FY1996 for the contingency reserve, the same level that had been provided for the last several years. P.L. 104-37 provides $500 million in reserve funds for FY1996, halfway between the $1 billion provided in the Senate bill and no reserve funding in the House version. Although most of the difference between the Congress and Administration is due to differences over the contingency reserve, P.L. 104-37 also provides less money ($165 million) for food stamps than the Administration estimated would be necessary to serve eligibles in FY1996 under current law, irrespective of the reserve. P.L. 104-37 adjusts for this lower amount by freezing the food stamp program's "standard deduction" (an inflation-indexed amount that is used in calculating benefits).

Child Nutrition Programs. The $7.92 billion in budget authority originally recommended by the Administration for child nutrition programs in FY1996 was requested to maintain the programs' coverage, allow for inflation indexing of Federal subsidies and income eligibility standards, and undertake additional nutrition initiatives. Child nutrition programs provide federally subsidized meals to children in schools, child care facilities, and summer programs. P.L. 104-37 funds the child nutrition appropriations "account" at $7.95 billion, or slightly more ($25.6 million) than the Administration request. P.L. 104-37 does not concur with the Administration's proposed consolidation of several nutrition research and education activities into one pot of increased funding for so-called "nutrition initiatives." It also funds the nutrition education and training and Food Service Management separately through a permanent appropriation established by the Healthy Meals for Healthy Americans Act.

WIC. P.L. 104-37 provides WIC appropriations of $3.73 billion for FY1996 ($90 million less than requested by the Administration, but $260 million more than the FY1995 appropriation). The House reported that the amount provided for WIC would be enough to maintain enrollment at 7.3 million, when coupled with a directive to use $20 million of administrative funding for food costs; allowed use of WIC farmers' market program money for the regular program, and an anticipated carryover of 1995 funds. The Senate report provides similar caseload projections, but is somewhat more proscriptive with respect to the use of farmers' market funds. The $6.75 million set aside for farmers' market programs may only be used if there are sufficient funds to maintain WIC participation levels (which are not specified). P.L. 104-37 allows the Secretary of Agriculture to transfer WIC carryover funds from FY1995 that are in excess of $100 million to the Rural Utilities Assistance Program.

Commodity Donation Programs. For FY1996, the Administration proposed a total of $395.9 million in funding for a variety of commodity donation programs -- including the commodity supplemental food program (CSFP), food donations programs for Indians, the elderly, and soup kitchens and food banks, and the emergency food assistance program (TEFAP). Overall this request was $23.3 million higher than the amount spent for FY1995 on these programs, with the greatest increase occurring for food donations programs (Indians and elderly).

P.L. 104-37 provides a total of $381 million in funding for all commodity donation programs for FY1996; this is approximately $10 million more than FY1995 spending for these programs, but $14 million less than the Administration request. Conferees concurred with the House provision to consolidate appropriations for the CSFP, soup kitchen and food bank, and TEFAP into one consolidated account, and provide $166 million for FY1996 (or $23.5 million less than FY1995) combined spending for these programs. The balance ($215 million) is for needy families on Indian reservations and elderly nutrition. P.L. 104-37 also explicitly allows for TEFAP commodity purchases within this block grant.

For more information on food and nutrition programs and proposals, see CRS reports 95-73ENR, 95-475ENR, 95-366EPW, 94-695ENR, and CRS Issue Brief 95047.

Research and Education

In the 1994 reorganization of USDA, the research, education, and extension function of the Department was expanded by the addition of the Economic Research Service (ERS) and the National Agricultural Statistics Service (NASS) under a new Assistant Secretary for Research, Education, and Economics (REE). In addition, the National Agricultural Library and the Human Nutrition Information Service were merged with USDA's in-house research agency, the Agricultural Research Service (ARS).

P.L. 104-37 provides a total of $1.78 billion for all of the REE agencies, compared with the FY1995 appropriation of $1.82 billion. The conferees reversed most of the major funding cuts proposed earlier in the House and Senate appropriations bills and the Administration's budget request, and instead made smaller cuts in a variety of REE programs to accomplish an overall reduction in research and education spending of $42 million. The House version would have trimmed $152 million from REE, whereas the Senate's bill would have cut $33 million.

ARS. P.L. 104-37 increases funding for ARS over the House and Senate's recommendations--and slightly exceeds the Administration's budget request--providing $710 million for the agency's research activities and $30.2 million for construction and renovation of buildings and facilities. The total ARS appropriation of $740.2 million is $16.8 million lower than the FY1995 appropriation, and the savings will be achieved in part through the closing and consolidation of some ARS facilities. The Administration had proposed closing 12 ARS laboratories but neither Chamber concurred. Both the House and Senate reports accompanying their respective bills recommend laboratory closures, although they differ somewhat in number and location.

CSREES. P.L. 104-37 provides a total of $907.5 million for the Cooperative State Research, Education and Extension Service (CSREES), which channels Federal money to the land-grant universities in 50 States and 7 U.S. territories. This amount exceeds the House appropriation ($802 million) and budget request ($870 million), but is less than the Senate recommendation ($919 million), and the FY1995 enacted level ($895 million).

Of the $907.5 million, $422 million supports research at the State agricultural experiment stations and other research and education grant programs, and $427.8 million funds the Cooperative Extension System. These amounts represent a reduction from FY1995 levels of $10.5 million for research and education, and $11 million for extension, but they are higher than the

House- and Senate-passed bills. The conferees concurred with the Senate recommendation to restore the greater portion of noncompetitive funding for construction of university research facilities ($62 million in FY1995), and designated $57.8 million for that purpose. P.L. 104-37 also provides $1.5 million for research and education at the tribally controlled land grant schools (the 1994 Institutions) in addition to the $4.6 million in budget authority for the Native American land grant colleges endowment fund. However, a Senate proposal to appropriate $2.6 million for extension work at the 1994 Institutions was deleted in conference.

P.L. 104-37 restores funding for more than 120 noncompetitive special research grants that had been targeted for termination by the Administration. The budget request was $15 million; the House allowance was $31.9 million, and the Senate recommendation was $42.7 million. P.L. 104-37 provides $49.8 million, which is $3.8 million more than FY1995. P.L. 104-37 reduced funding for the National Research Initiative Competitive Research Grants program for FY1996 to $96.7 million, $6.4 million below the FY1995 level. The Administration had requested $130 million for competitive research grants.

The final appropriations measure concurs with the House and Senate recommendation of $11.5 million for sustainable agriculture research and extension programs--level with FY1995--compared with the Administration's $14.5 million request.

ERS and NASS. Neither the House nor the Senate bills required major cuts in funding for the Economic Research Service and the National Agricultural Statistics Service. P.L. 104-37 appropriates $53.1 million for ERS, and $81.1 million for NASS. The Administration had requested $54.7 and $89.8, respectively, for ERS and NASS.

Food Safety and Inspection

P.L. 104-37 provides $545 million for operations of the Food Safety and Inspection Service (FSIS), the USDA agency responsible for meat and poultry inspection. The House-passed bill provided $540.4 million, and the Senate bill $563.0 million. The $545 million appropriation for FY1996 is above the FY1995 funding level of $525.8 million, but lower than the Administration's request of $594.9 million. P.L. 104-37 does not include any funding for the *Salmonella enteritidis* (SE) program, which seeks to control the spread of SE from contaminated egg-laying chickens. The House Appropriations Committee noted that the industry has developed its own program.

Earlier this year, USDA proposed inspection rules that would require meat and poultry plants to implement a new Hazard Analysis and Critical Control Point (HACCP) system and mandate testing of raw meat and poultry for salmonella, among other provisions, aimed at reducing the risk of pathogens. Plans for finalizing the rule were jeopardized by an amendment to H.R. 1976 reported by the House Appropriations Committee. The amendment, which stemmed from complaints by many meat industry groups that their concerns about the rule were not being adequately considered, would have required USDA to submit the proposal to negotiated rulemaking procedures. Under such a procedure, consumer, industry, livestock, labor unions, and other interests, would participate in formal negotiations to reach a consensus position on the rule. However, the amendment was removed on the House floor, after Agriculture Secretary Glickman agreed to additional public meetings to hear industry and other concerns before issuing the final rule.

P.L. 104-37 concurs with Senate language that effectively prohibits USDA from enforcing recent regulations that would have prohibited processors from labeling poultry products chilled to below 26 degrees as "fresh." Supporting the language were Senators from Southern poultry-producing States whose processors legally had been shipping partially frozen chickens to California and labeling them as fresh, until a 1993 California law effectively barred them from doing so. After legal challenges to the law were mounted, USDA stepped in with the regulation in an attempt to resolve the issue. However, Southern processors contend that the rule continues to unfairly block their attempts to compete in the California market. California Senators, backed by the State's poultry producers and consumer groups, had wanted to strike the appropriations language, contending that labeling frozen poultry as "fresh" is misleading.

As in past years, the Administration recommended legislation that would allow FSIS to assess the facilities it inspects for the full cost of overtime hours for meat inspection, which it estimates would raise $106.8 million in new user fees in FY1996. However, the conference agreement on H.R. 1976 does not appear to anticipate the adoption of such fees.

For more information, see CRS Issue Brief IB95062, *Meat and Poultry Inspection Issues.*

Related Legislative Action

FY1995 Rescissions Legislation

On July 27, 1995, the President signed an FY1995 rescissions bill (P.L. 104-19/H.R. 1944) that rescinds approximately $16 billion in FY1995 funds that have been appropriated Government-wide but not yet spent, including $96 million in reductions in USDA appropriated programs. The enacted bill represents a substitute for an earlier FY1995 rescission bill (H.R. 1158) that was vetoed by the President on June 7.

Among the major FY1995 rescissions in P.L. 104-19 that affect USDA programs are:

a $40 million reduction in funding for the P.L. 480 overseas food aid program, through reductions in commodity grants (Title III);

a $20 million reduction for the Special Supplemental Food Program for Women, Infants, and Children (WIC), which appropriators contend will not affect the level of service under the WIC program, since it is a reduction in carryover funds from previous years, not a reduction in the current year's appropriation; and

a $15.5 million reduction in subsidy level (supporting $28 million in loans) for USDA's rental housing loan program (Section 515) for the construction of low income multifamily dwellings in rural areas.

P.L. 104-19 also provides for a $24.5 million increase in FY1995 available funding for the Market Promotion Program, which supports private initiatives to promote exports of agricultural products and has been a source of controversy in recent years. The increase was requested by the Administration to allow the program to be fully funded at its authorized level of $110 million. H.R. 1944 also provides supplemental funding of $9.08 million for the Food Safety and Inspection Service, needed to avoid a furlough of staff.

For Additional Reading

CRS Products

Agriculture and the Budget, by Ralph M. Chite. Issue Brief. Update regularly. CRS Issue Brief Number IB95031

Farm Commodity Programs: Financing and Costs, by Ralph M. Chite. CRS Report Number 94-575-ENR

The 1995 Farm Bill: Overview, by Environment and Natural Resources Policy Division, Coordinated by Jean M. Rawson. Issue Brief. Updated regularly. CRS Issue Brief Number IB95058

Agricultural Provisions of the House Reconciliation Bill, by Geoffrey S. Becker and Jasper Womach. CRS Report Number 95-1055

Agricultural Provisions of the Senate Reconciliation Bill, by Geoffrey S. Becker and Jasper Womach. CRS Report Number 95-1056

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