Appropriations for FY1998: U.S. Department of Agriculture and Related Agencies

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Appropriations are one part of a complex federal budget process that includes budget resolutions, appropriations (regular, supplemental, and continuing) bills, rescissions, and budget reconciliation bills. The process begins with the President's budget request and is bounded by the rules of the House and Senate, the Congressional Budget and Impoundment Control Act of 1974 (as amended), the Budget Enforcement Act of 1990, and current program authorizations. In addition, the line item veto takes effect for the first time in 1997.

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

Since this report was last updated, data related to the FY1998 appropriations may have changed through supplemental appropriations or rescissions, entitlement revisions, or scorekeeping adjustments. These changes will be reflected in a subsequent report.

Appropriations for FY1998:
U.S. Department of Agriculture and Related Agencies

Summary

The President signed into law the FY1998 appropriations act for USDA and related agencies (P.L. 105-86, H.R. 2160) on November 18, 1997. The House and Senate gave final approval to the $49.55 billion measure on October 6 and 29, respectively. Two days after signing the bill, the President exercised his line-item-veto authority by canceling funds for five agricultural research projects, for total savings of $1.9 million. Congress has 30 calendar days to disapprove the cancellations, once it returns in late January 1998.

The FY1998 measure provides $3.6 billion less than the FY1997 Act, which is $2.8 billion below the Administration request for FY1998, close to the House-initially passed level of $49.45 billion, and nearly $1 billion below the Senate-passed level. Most of the difference between FY1998 and FY1997 funding requirements is accounted for by lower funding needed for food and nutrition programs resulting from changes made by the 1996 welfare law.

Among the major provisions in P.L. 105-86 are:

- a new appropriation of $188.6 million for sales commissions to private insurance companies participating in the federal crop insurance program. (Full-funding level was $202.5 million);

- a 2.2% increase in funding for Conservation Operations, compared with an Administration-requested increase of 16.5% over FY1997. Funding and acreage enrollment in the Conservation Reserve Program was unaffected;

- a $150 million cap on the non-appropriated Export Enhancement Program, which recognizes $159 million in savings for FY1998;

- an increase in spending above both the House- and Senate-proposed levels for the rural development mission of USDA, albeit less than the Administration request;

- concurrence with a $100 million food stamp contingency reserve provided in the House-passed bill, compared with $1 billion in the Senate version. Conferees also agreed to an increase in WIC program spending, but less than the Administration request;

- $1.9 billion for the research and education mission of USDA, an amount that is higher than the Administration request and the House- and Senate-passed bills;

- rejection of the Administration request for new FDA general user fees and full funding of an FDA initiative to curb underage tobacco consumption.

Key Policy Staff

Area of Expertise	Name	CRS Division	Telephone
USDA Budget/Farm Spending	(name redacted)	ENR	7-....
Conservation	(name redacted)	ENR	7-....
Trade and Food Aid	(name redacted)	ENR	7-....
Rural Development	Eugene P. Boyd	GOV	7-....
Domestic Food Assistance	Jean Yavis Jones	ENR	7-....
Research & Food Safety	(name redacted)	ENR	7-....
Food Marketing	(name redacted)	ENR	7-....
Food and Drug Administration	(name redacted)	SPR	7-....

Contents

List of Tables

Appropriations for FY1998: U.S. Department of Agriculture

Most Recent Developments

The President signed into law the FY1998 appropriations act for USDA and related agencies (P.L. 105-86, H.R. 2160) on November 18, 1997. The House and Senate had given final approval to the $49.55 billion measure on October 6 and 29, respectively. Two days after signing the bill, the President exercised his line-item-veto authority on the measure by canceling funds for five agricultural research projects, for total savings of $1.9 million in FY1998 budget authority. Congress has 30 calendar days to disapprove the cancellations, once it returns in late January 1998.

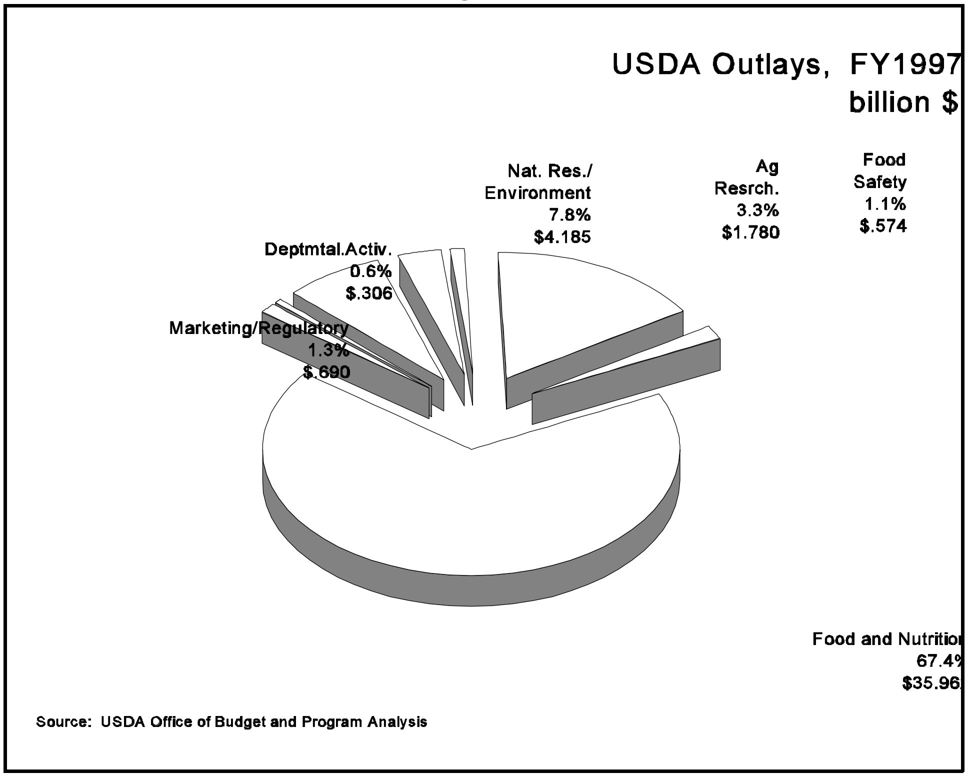
USDA Spending at a Glance

The U.S. Department of Agriculture (USDA) carries out its widely varied responsibilities through approximately 30 separate internal agencies staffed by some 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 farmers. (See Figure 1.)

Total USDA outlays for FY1997 were just under $53 billion. By far the largest outlay within the Department, $36.0 billion (67%) of total outlays in FY1997, was for its food and nutrition programs, primarily the food stamp program (the costliest of all USDA programs), various child nutrition programs, and the Women, Infants and Children (WIC) program. Total FY1997 outlays also included $8.9 billion (12%) for farm and foreign agricultural services. Within this mission area of USDA are the programs funded through the Commodity Credit Corporation (e.g., commodity support payments, the conservation reserve program, and certain trade programs), crop insurance, farm loans, and foreign food aid programs. Another $4.2 billion (8%) was spent on an array of natural resource and environment programs, nearly three-fourths of which funds the Forest Service (which is funded through the Interior appropriations bill, not the agriculture appropriations bill), and the balance for a number of conservation programs for farm producers.

USDA programs for research and education ($1.8 billion in outlays for FY1997), rural development ($943 million), marketing and regulatory activities ($690 million), meat and poultry inspection ($574 million), and departmental activities ($306 million) accounted for the balance of USDA spending.

Figure 1



Mandatory vs. Discretionary Spending

Approximately three-fourths of total USDA spending is classified as mandatory, which by definition occurs outside the control of annual appropriations. Eligibility for mandatory programs is written into authorizing law, and any individual or entity that meets the eligibility requirements is entitled to the benefits authorized by the law. Currently accounting for the vast majority of USDA mandatory spending are the food stamp program and child nutrition programs; the farm commodity price and income support programs; the federal crop insurance program; and the conservation reserve program (CRP).

Although they have mandatory status, the food and 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 is also made to reimburse the Commodity Credit Corporation for losses it incurs in financing the commodity support programs. Historically, the farm commodity price and income support programs were a significant portion of the USDA budget. Spending levels among these programs were erratic and unpredictable, making total USDA spending highly variable. However, this is expected to change in future years as a result of the enactment of the 1996 farm bill, which caps spending on direct payments to program crop producers.

The other 25% of the USDA budget is for discretionary programs, which are dependent upon funding in annual appropriations acts. Among the major discretionary programs within USDA that are funded by the annual agriculture appropriations act are its rural development programs, research and education programs, agricultural credit, 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.

Table 1. U.S. Department of Agriculture and Related Agencies Appropriations, FY1993 to FY1998
(budget authority in billions of dollars)

	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998
Discretionary	$13.88	$14.59	$13.29	$13.31	$13.05	$13.75
Mandatory	$46.88	$56.25	$54.61	$49.78	$40.08	$35.80
Total Budget Authority	$60.75	$70.84	$67.90	$63.09	$53.12	$49.55

Sources: Congressional Budget Office and House Appropriations Committee.

Status

Table 2. Status of FY1998 Agriculture Appropriations

<table>
<tr><th colspan="2">Subcommittee Markup</th><th rowspan="2">House Comm. Report H.R. 2160</th><th rowspan="2">House Passage</th><th rowspan="2">Senate Comm. Report S. 1033</th><th rowspan="2">Senate Passage of S.1033 *</th><th rowspan="2">Conf. Report</th><th colspan="2">Conference Report Approval</th><th rowspan="2">Public Law **</th></tr>
<tr><th>House</th><th>Senate</th><th>House</th><th>Senate</th></tr>
<tr><td>6/25/97</td><td>7/15/97</td><td>7/14/97 H.Rept. 105-178</td><td>7/24/97 (Vote of 392-32)</td><td>7/17/97 S.Rept. 105-51</td><td>7/24/97 (Vote of 99-0)</td><td>9/18/97 H.Rept. 105-252</td><td>10/6/97 (Vote of 399-18)</td><td>10/29/97 (Voice Vote)</td><td>11/18/97 P.L. 105-86</td></tr>
</table>

* The Senate considered H.R. 2160, as passed by the House on September 2 and 3. With one amendment, the Senate substituted the text of S. 1033 for the text of H.R. 2160. By voice vote, the Senate agreed to H.R. 2160, as amended, on September 3.

** On Nov. 20, the President exercised his line-item-veto authority on five research projects. Congress has 30 days to vote on disapproval of the item vetoes, once it returns in January.

The FY1998 Appropriations Act for USDA and Related Agencies (P.L. 105-86)

The FY1998 appropriations act (P.L. 105-86) for USDA and related agencies was signed into law on November 18, 1997, providing $49.55 billion in budget authority for FY1998. This level is $3.6 billion less than FY1997, and $2.8 billion below the Administration request for FY1998. In total, budget authority in P.L. 105-86 is close to the House-passed level of $49.45 billion, and is nearly $1 billion below the Senate-passed level. Of the $49.55 million made available in the FY1998 act, $35.8 million is for mandatory programs (72%) and $13.75 billion for discretionary accounts. (See Table 1 for history.) Most of the difference between FY1998 and FY1997 funding is accounted for by lower funding needed for food and nutrition programs because of changes resulting from the 1996 welfare law.

The House and Senate passed separate versions of FY1998 appropriations for USDA and related agencies on July 24, 1997 (H.R. 2160 and S. 1033). Accounting for most of the $1 billion difference between the House- and Senate-passed versions was that the Senate provided $900 million more than the House for a food stamp contingency reserve. Conferees adopted the $100 million food stamp reserve in the House-passed bill.

Two days after signing the bill, the President exercised his line-item-veto authority on the measure by canceling funds for five agricultural research projects, for total savings of $1.9 million. Congress has 30 calendar days to disapprove the cancellations, if it chooses, once it returns in late January 1998. (See the section on "Agricultural Research, Education, and Economics" for more information on the line item vetoes.)

Floor efforts to eliminate federal subsidies for crop insurance coverage of tobacco and to reduce the federal reimbursement of delivery costs to private crop insurance companies were unsuccessful in both chambers. Similar efforts in the House to curb spending for sugar and peanuts were also defeated.

Following is a review of the major provisions of P.L. 105-86, compared with the earlier House- and Senate-passed versions of the measure, the FY1998 Administration request, and the FY1997 enacted level including supplementals.

Commodity Credit Corporation

Outlays for the farm commodity programs, and certain farm export programs and conservation programs are funded through USDA's Commodity Credit Corporation (CCC). The CCC is a revolving financing mechanism within USDA, through which it supports more than a dozen specified commodities, including grains, cotton, milk, sugar, peanuts, and tobacco. The formulas that determine payments under these programs are made by long-term farm legislation, and benefits have to be provided to any participating producer.

The CCC also serves as a funding mechanism for several USDA export subsidy programs, including the export enhancement program, export credit guarantees, and the market assistance program, and for an array of conservation programs, including the conservation reserve program, the wetlands reserve program, and the environmental qualities incentive program. (See "Agricultural Trade and Food Aid" and "Conservation" below for more details on these programs.)

In past years, outlays of the CCC have been highly variable, and tended to fluctuate based on crop market conditions. The Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104-127, the 1996 farm bill) replaced the program of making direct payments to participating producers when market prices fall below a target level, with pre-determined and declining market transition payments to eligible producers over a 7-year period. Consequently, CCC outlays are expected to be less variable in future years.

The Administration estimates that CCC outlays will be $9.6 billion in FY1998, up $1.9 billion from FY1997 outlays of $7.7 billion. Because CCC-funded programs are classified as mandatory spending, they do not require appropriations to the CCC for annual program outlays. Instead, 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. Hence, the $784 million requested by USDA for FY1998, and provided in P.L. 105-86, is not a reflection of what CCC spending is expected to be in FY1998, but instead is more a reflection of CCC losses for FY1996, a year in which outlays were relatively low because crop prices were strong.

Although the farm commodity programs do not require an annual appropriation, opponents of these programs frequently offer floor amendments to the appropriations bill in an attempt to effect changes in farm commodity policy. Separate amendments were offered and defeated when H.R. 2160 was first considered on the House floor that would have modified the authorizing statutes for the sugar and peanut price support programs. Also defeated on the House floor were amendments to eliminate the nonrecourse loan program for sugar, and to reduce the price support level for peanuts from $610 per ton to $550 per ton. A Senate floor amendment to increase the assessment on tobacco marketings from the current 1% rate to 2.1%, in order to fund a youth smoking program within FDA, was defeated on the Senate floor.

Crop Insurance

The federal crop insurance program is administered by USDA's Risk Management Agency. Current law requires USDA to offer basically free catastrophic insurance to producers who grow an insurable crop. This coverage pays producers 60% of the estimated market price of the commodity on losses in excess of 50% of normal crop production. Any producer who opts for catastrophic coverage has the opportunity to purchase additional insurance coverage at a subsidized rate. Most policies are sold and completely serviced through approved private insurance companies that are reinsured by USDA.

There are basically four sources of federal expenditures on the program -- USDA absorbs a large percentage of the program losses, compensates the reinsured companies for a portion of their delivery expenses, subsidizes the premium paid by participating producers, and pays the salaries and expenses of its administering agency within USDA. Program losses and the premium subsidy are mandatory expenditures which are funded through USDA's Federal Crop Insurance Fund. Because crop losses caused by natural disasters are impossible to predict, outlays of the Fund are difficult to budget. Hence, the Administration requests and the FY1998 appropriations act provides "such sums as are necessary", which USDA estimates at $1.584 billion.

The delivery expenses of the program and the salaries and expenses of USDA's Risk Management Agency are discretionary and require a specific annual appropriation. Current law requires that the federal reimbursement to the insurance companies for their administrative expenses come from mandatory accounts until FY1998. USDA estimated that an appropriation of $202.5 million was required in FY1998 to reimburse companies at the current rate of 28% of premiums. P.L. 105-86 concurs with the House provision of $188.6 million, or approximately a 27% reimbursement rate. The Senate-passed bill would have provided the full $202.5 million required to fund the reimbursement at its current rate. Although the USDA budget request contained a request for full funding, the Administration did indicate plans to submit legislation to reduce the reimbursement rate to 24.5% to fund other risk management initiatives. To date, no legislation has been submitted. Congress might consider legislation in 1998 that would convert the federal reimbursement to private companies to being a mandatory expense. However, such a move would require an equivalent offset from the crop insurance fund or some other mandatory account.

Attempts to eliminate federally subsidized crop insurance for tobacco were defeated in the House Appropriations Committee and on the House and Senate floors. Proponents of the amendment contend that the elimination of subsidies for tobacco growers is consistent with federal health initiatives to reduce tobacco consumption. Opponents say that it would unfairly penalize family farmers who are growing a legal crop. Two separate floor amendments, one to reduce the crop insurance reimbursement to private companies by $23.7 million (to be transferred to WIC) and another to reduce the reimbursement by $10 million (to be transferred to FDA) were both defeated on the House floor. A Senate amendment to withhold $4 million of the reimbursement until USDA implements a plan to reduce the administrative and operating costs of private companies as required by the 1996 farm bill, was adopted on the Senate floor, but was not included in the enacted version.

Agricultural Credit

USDA serves as a lender of last resort for family farmers unable to obtain credit from a commercial lender, formerly through its Farmers Home Administration, but now through its 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, and to financially recover from natural disasters.

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 a 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.

The FY1998 USDA appropriations act continues the recent trend of focusing a large portion of USDA's farm loan resources toward loan guarantees rather than direct loans, as requested by the Administration. P.L. 105-86 concurs with the Senate provision of $102.4 million in loan subsidies, which is nearly $5 million more than the Administration request and $6.6 million more than the House level. The FY1998 enacted funding level will support an estimated $2.94 billion in direct and guaranteed USDA farm loans, compared with $3.08 billion in FY1997, the Administration request of $2.83 billion, and the House level of $2.85 billion.

Of the total loan authority provided in P.L. 105-86, $2.3 billion would be for guaranteed loans ($1.9 billion in guaranteed farm operating loans and $400 million in guaranteed farm ownership loans). The biggest difference between the House and Senate versions of the measure with respect to farm credit was the amounts authorized for direct loans. The enacted version, like the Senate version, increases authority for direct farm ownership loans from the FY1997 level of $50 million to $60 million, while the House version would have reduced authority to $31 million. Direct farm operating loans will remain at the FY1997 level of $495 million.

Conservation

P.L. 105-86 provides $789.9 million in budget authority for conservation programs administered by USDA's Natural Resources Conservation Service (NRCS). This is an increase of more than $19 million from FY1997, but less than the $822 million requested by the Administration. Major proposed changes by the Administration would reflect implementation of the 1996 farm bill or changes in emphasis or priorities. The House-passed version of H.R. 2160 rejected many of these proposals, holding overall funding at $759.4 million, while the Senate-passed version generally supported the proposals and provided $825.6 million. Budget authority is provided for about 25% of all conservation funding; the balance are mandatory programs funded through the CCC. One major mandatory conservation program, the Conservation Reserve Program, is administered by the Farm Service Agency.

Natural Resources Conservation Service (NRCS): Within NRCS, the core conservation program and the primary source of technical assistance to producers and landowners is Conservation Operations (CO). P.L. 105-86 provides $633 million for Conservation Operations, $23 million higher than the House-passed level, but almost $100 million less than the Senate-passed version. The FY997 level had been $619.7 million, and the President had requested an increase of $103 million, to $722 million.

The act earmarks funds for numerous activities, the largest being the grazing lands initiative, which would receive $15 million. The conference committee report did not include the House-passed language prohibiting spending on three specified unauthorized initiatives, but Section 727 in the General Provisions title of the final act prohibits reprogramming of funds for new activities without prior notification to both appropriations committees. It also rejects the Administration proposal to add Watershed Surveys and Planning, a separate line item totalling $12.3 million in FY1997, into the CO account.

The House-passed version, which would have provided $610 million for CO, did not specify spending for technical assistance. It identified three initiatives that would be prohibited from receiving further funding until justifications and reprogramming are approved by Congress. By contrast, the Senate-passed bill contained almost $730 million for CO, and the committee expected NRCS to spend at least $80 million to provide technical assistance in support of watershed activities. Committee reports from both chambers identified numerous earmarks.

P.L. 105-86 also provides $101 million for Watershed and Flood Prevention Operations, which supports construction of small watershed projects, and places a $50 million limit on funding for technical assistance so that more than half the funding would be spent on projects. It provides $34 million for the Resource Conservation and Development (RC&D) Program, which provides planning and implementation funding in approved multicounty areas. The conference committee called on NRCS to submit an operating report for the allocation of RC&D funds within 30 days of enactment. P.L. 105-86 also provides $3 million to the Outreach for Socially Disadvantaged Farmers effort.

The Administration budget for FY1998 had proposed a reduction in the Watershed and Flood Prevention Program from $101 million to $40 million. USDA stated that this reduction would be largely offset by supplemental appropriations in FY1997 of $63 million for disaster assistance that was provided through the Emergency Watershed Operations Program. (As subsequently enacted in the FY1997 supplemental appropriations law, P.L. 105-18, this program received a total of $166 million in FY1997.)

The House-passed bill not only rejected the Administration proposal to reduce funding in the Watershed and Flood Prevention Program, but also limited funding for technical assistance to $50 million. The Committee specified several projects it expects to continue. Also, the House rejected the Administration request to increase funding for the RC&D

Program. The Senate Appropriations Committee adopted the Administration level of $40 million for the watershed program while identifying numerous watershed projects on which it expects activity, and also agreed to increase funding for the RC&D Program almost to the level proposed by the Administration.

Five other conservation programs administered by NRCS are funded as mandatory spending (not subject to annual appropriations) through the CCC as a result of provisions in the 1996 farm bill. Under the Administration request, their overall program level would have grown from $343 million in FY1997 to $427 million in FY1998. The largest proposed increase was a $45 million increase, to $164 million, for the Wetlands Reserve Program to enroll 212,000 acres under permanent and temporary easements and long-term agreements that protect and enhance wetland values. Other programs with Administration-proposed increases in program levels were grants to states under the Farmland Protection Program (from $2 million in FY1997 to $18 million in FY1998), payments to producers receiving market transition payments under the conservation farm option (from $2 million to $15 million), and payments to farmers who implement approved plans under the Wildlife Habitat Incentive Program (from $20 million to $30 million). The program level for the Environmental Quality Incentive Program, a mandatory cost-sharing program which supports structural and land management practices, will remain at $200 million. Congress did not address any of these programs.

Farm Service Agency (FSA) Conservation Programs: The FSA operates the largest conservation program, the Conservation Reserve Program (CRP). Under the CRP, landowners enter into contracts, usually 10 years in duration, to retire highly erodible and environmentally sensitive lands from production in return for annual payments and technical assistance. CRP was made a mandatory program, funded through the CCC, in the 1996 farm bill. The program level was estimated to grow from $1.774 billion in FY1997 to $1.903 billion in FY1998, while appropriated funding was estimated to decline from $83 million to $23 million. (Appropriated funds have been used to pay certain program support costs.) The Administration proposed that the CRP claim a future budget savings of $25 million annually if Congress authorizes a regular program for haying and grazing on CRP acreage once every 3 years in return for a 50% reduction in market transition payments in those years. The conference agreement did not comment on the CRP. Therefore, separate legislation would be required to authorize the request. However, the House Appropriations Committee report expressed support for CRP and called for more emphasis of partial field enrollments, implementation of an enhancement program, and a report from the USDA Inspector General on the low acceptance rate for land bid into the CRP during the most recent signup in Washington State. The Senate bill and report did not comment on the CRP.

Two programs for responding to natural disasters, the Emergency Conservation Program and the Flood Risk Reduction Program, received no funding in P.L. 105-86. The Administration did not propose appropriations in its FY1998 request. However, the Emergency Conservation Program received $70 million in the supplemental appropriations for FY1997 (P.L. 105-18).

Appropriations for the Forest Service, another agency in USDA, are addressed with the other major federal land management agencies in the FY1998 Interior appropriations act. (See CRS Report Number 97-206, "Appropriations for FY1998: Interior and Related Agencies" for more information.)

For more information on USDA conservation issues, see CRS Issue Brief 96030, *Soil and Water Conservation: Implementing the 1996 Farm Bill.*

Agricultural Trade and Food Aid Programs

USDA administers several programs that provide food aid overseas and promote exports of U.S. agricultural commodities. Within USDA, the Foreign Agricultural Service (FAS) is primarily responsible for these programs, although some foreign food aid programs are administered by the U.S. Agency for International Development (USAID). The General Sales Manager in FAS is responsible for administering food aid and export credit guarantee programs, as well as the Export Enhancement Program and the Market Access Program, both of which are not subject to annual appropriations.

For the most part, P.L. 105-86 maintains FY1998 funding for agricultural trade and food aid programs at enacted FY1997 levels. The President's budget for FY1998 had requested an estimated program level of $6.84 billion for FAS, P.L. 480 foreign food aid, and CCC export credit guarantees. That program level would have entailed budget authority of $1.645 billion. The spending measure for agriculture provides a program level of $6.81 billion and budget authority of $1.72 billion. The approximately $76 million difference in budget authority between the President's request and the enacted level for FY1998 results from the spending measure providing $89 million more for P.L. 480 and $15 million less for FAS than the President had requested. The House-passed bill recommended a program level of $6.941 billion for these same programs and budget authority of $1.719 billion. The Senate version recommended a program level of $6.969 billion with budget authority of $1.73 billion.

Amendments were offered in both chambers to reduce or eliminate Market Access Program (MAP) spending, but none was passed. Since the conference does not address MAP, spending will remain at $90 million, the level authorized in the 1996 farm bill. P.L. 105-86 does cap the Export Enhancement Program (EEP) at $150 million, the level recommended in the Senate bill. House appropriators had capped EEP spending at $205 million, while the President had requested the full amount authorized in the FAIR Act, $500 million. (Cutting EEP from the requested level to $150 million results in reductions in overall budget authority of $159 million. This reduction shows up as a scorekeeping adjustment at the bottom of Table 3 at the end of this report.) MAP and EEP are classified as mandatory spending programs and are not subject to annual appropriations.

Foreign Agricultural Service (FAS): FAS's primary aim is to maintain and expand foreign markets for U.S. agricultural products. The agency maintains a worldwide agricultural intelligence and reporting service that reports and analyzes foreign agricultural production, marketing, and policies for the purposes of assisting U.S. agricultural exporters. In addition, FAS is responsible for carrying out U.S. agricultural trade policy, negotiating to reduce foreign agricultural trade barriers, and implementing programs of international cooperation. The FY1998 act provides $131.3 million for FAS, with additional transfers of about $4.3 million. The President's FY1998 budget called for an FAS program level of $150.9 million--$146.5 million in directly appropriated funds and $3.4 million in transfers from other USDA programs. FAS's budget includes funds to support agricultural export market development and promotion, which includes approximately $28 million in funding for the Foreign Market Development (or Cooperator) Program (FMDP). FAS's appropriation is identical to the House passed provision and the level made available in FY1997.

Public Law 480 or Food for Peace: P.L. 480 provides long-term concessional sales of food (Title I) through direct loans; humanitarian commodity donations (Title II); and grant food aid for development to low-income developing countries (Title III). Title I is administered by USDA; Titles II and III are administered by USAID. P.L. 105-86 provides a program level of $1.112 billion for all of P.L. 480 and budget authority of $1.063 billion. Title I increases slightly, while Titles II and III remain essentially at the 1997 levels. The Administration had requested budget authority of $967 million to support a P.L. 480 program level of $990 million for P.L. 480 in FY1998, which is $117 million less than the FY1997 enacted program level. All of this reduction would have come from Title I. According to USDA estimates, reduced FY1998 funding for P.L. 480 would support the same volume of commodities made available in FY1997, 3.2 million metric tons.

The House-passed bill, however, maintained P.L. 480 funding at essentially the same level as in FY1997. FY1998 appropriations for P.L. 480 Title I would be only $3 million less than FY1997, while Titles II and III would be kept at about the FY1997 level. P.L. 105-86 contains a Senate-passed amendment that bans provision of U.S. food aid to North Korea unless provided through the humanitarian assistance programs of the World Food Program and other non-governmental entities.

Food for Progress: This program provides commodities to governments, private voluntary agencies, nonprofit agricultural organizations, cooperatives or intergovernmental organizations for use in developing countries and emerging democracies committed to introducing and expanding free enterprise. Food for Progress can use Title I funds to procure commodities and pay transport costs; it can use commodities, if any, in CCC inventories under Section 416(b) of the Agricultural Act of 1949; or it can use CCC funds to procure and ship commodities when Section 416(b) commodities are unavailable. The President's budget assumes that $103 million--$73 million for commodities and $30 million for non-commodity costs--will be used for Food for Progress in FY1998. The program level for FY1997 was $113 million. P.L. 105-86 makes no recommendation as to the level of funding for Food for Progress.

CCC Export Credit Guarantees: These programs provide CCC guarantees for the repayment of commercial loans to finance the sale of U.S. agricultural exports to developing and middle-income countries that are short on foreign exchange. The enacted FY1998 spending measure, like the House- and Senate-passed versions, provides the full amount--$5.7 billion--requested by the Administration for export credit guarantees. This is the full amount authorized in the 1996 farm bill. Of this amount, $200 million is to be allocated to countries classed as emerging markets, as part of the additional $1 billion in export credit guarantees for these countries mandated by the farm bill. The legislation provides $527.5 million to cover loan subsidies and $3.820 million to covers administrative expenses of the export credit guarantee programs.

Export credit guarantees are covered by the Federal Credit Reform Act of 1990, which established a CCC export loan program account. Appropriations to this account are used to cover lifetime subsidy costs associated with the loan guarantees as well as administrative expenses.

Market Access Program (MAP): MAP, previously, the Market Promotion Program, funds market development and market promotion efforts, on a cost-sharing basis, of nonprofit agricultural trade organizations, state and regional trade groups, and private companies. The 1996 farm bill prohibits providing direct assistance to foreign firms and to any firm that does not qualify as a small business under the Small Business Act. The Administration estimates a program level of $90 million for MAP in FY1998, the maximum authorized by the farm bill. MAP is popular in the agricultural community, but the program was targeted for elimination as "corporate welfare" by a coalition that includes certain Members of Congress, consumer groups, and policy groups. Amendments proposing either to eliminate or cut MAP funding were defeated when FY1998 appropriations were debated. MAP is a mandatory program that does not require an annual appropriation. However, amendments to past annual agricultural appropriations acts have capped MAP spending at below authorized levels.

Export Subsidies: Two export subsidy programs--the Export Enhancement Program (EEP) and the Dairy Export Incentive Program (DEIP) -- offer bonus payments to exporters of U.S. agricultural commodities to make them price competitive in markets that are also targets of competitor countries' subsidies. EEP is capped by P.L. 105-86 at $150 million, the level recommended in the Senate-passed bill. The Administration estimated FY1998 EEP spending at $500 million, the full amount authorized by the farm bill for FY1998, and $400 million more than the FY1997 program level. However, the FY1997 agriculture appropriations act capped EEP spending at $100 million for that year. The FY1997 supplemental appropriations act (P.L. 105-18) cut EEP further to $10 million. EEP is a mandatory program funded through the CCC, and not subject to annual appropriations. CBO scores savings of $159 million in overall budget authority by cutting EEP from the level requested by the President. DEIP (which also is not subject to annual appropriations) spending is estimated in the President's budget at $89 million for FY1998, an increase of $33 million over FY1997.

For more information on agricultural trade and food aid issues, see CRS Issue Brief 95088, *Agricultural Export and Food Aid Programs*.

Rural Development

The FY1998 agriculture appropriations act provides $2.088 billion to support a wide array of rural development programs administered by USDA. This amount is greater than what would have been provided in the House- and Senate-passed bills, by $47 million and $9 million respectively. Rural development funding in P.L. 105-86 is also $84 million more than in FY1997, but $92.5 million below the Administration's FY1998 request. The FY1998 act provides $652 million for the Rural Community Advancement Program, a relatively new block grant program. It also provides $541 million in rural rental assistance, $45 million for rural housing assistance grants, $4 billion under the rural housing insurance fund, $7 million for the Alternate Agricultural Research and Commercialization (AARC) Revolving Fund, and $12 million for the Distance Learning and Medical Link Program.

Rural Community Advancement Program (RCAP): The Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104-127) authorized the establishment of the Rural Community Advancement Program (RCAP), which consolidated twelve existing programs (two of which were newly authorized by the act) into three funding streams (housing and community facilities; water and waste disposal; and business and cooperative assistance). In addition, it gives each state's rural development director the authority to transfer up to 25% of a state's funding among the three categories of assistance, but limits the amount that may be transferred nationally from any one of the three categories to 10%. Further, the act mandates the establishment of state-administered rural development block grants. Under the act, state governments may receive 5% of the RCAP funds to administer directly. An additional 5% is available to states on a $2 to $1 matching fund basis.

P.L. 105-86 appropriates $652 million for RCAP activities. This is $8 million more than the $644 million proposed by the Senate and $37 million less than the $689 million requested by the Administration. The House-passed version of the appropriation bill did not provide funds for RCAP, but sought to appropriate funding for its activities under three separate accounts: Rural Business-Cooperative Assistance Programs, Rural Housing Assistance Programs, and Rural Utility Assistance Programs (see sections below.)

P.L. 105-86 allocates the $652 million in FY1998 funding ($37 million below the Administration request) among the three funding streams as follows:

- $577.2 million for water and waste disposal assistance, compared with the Administration request for $608 million, and the Senate level of $568 million;

- $27 million for community facilities and housing assistance, compared with $30 million in the Administration request and Senate-passed bill; and

- $48 million for assistance to businesses and cooperatives, which concurs with the Senate level and is $2 million below the Administration request.

In addition, the act earmarks a certain portion of these funds for *colonias* ($20 million from water and waste disposal assistance), technical assistance ($15 million from water and waste disposal assistance), technical assistance for rural transportation in connection with economic development projects ($500,000 rural business and cooperative assistance), rural Empowerment Zones and Enterprise Communities ($20 million), technical assistance for water projects administered by a national organization under the circuit rider program ($5 million from water and waste disposal account), and rural Alaskan Native Villages ($15 million from water and waste disposal account). The act transfers all unobligated and obligated balances for the following programs from prior years into the RCAP account: Rural Water and Waste Disposal Grants, Rural Water and Waste Disposal Loans, Emergency Community Water Assistance Grants, Solid Waste Management Grants, Community Facilities Grants, Community Facilities Loans, Rural Business Enterprise Grants, Rural Business and Industry Loans Program, and Local Technical Assistance and Planning Grants.

Rural Housing Service (RHS): The RHS is one of three services under the jurisdiction of the USDA's Under Secretary for Rural Development. The mission of the RHS is to assist rural residents and communities to obtain adequate and affordable housing and access to needed community facilities. The RHS programs include grants and loans for rental housing assistance, and mutual and self-help housing.

P.L. 105-86 provides $4 billion in direct and guaranteed loan authority for Section 502 (very low to moderate income housing loans) borrowers; $30 million for Section 504 housing repair loans; $20 million for Section 538 guaranteed multi-family housing loans; $15 million for Section 514 farm labor housing; $129 million for Section 515 rental housing; $600,000 for site loans; $587 million for self-help housing land development loans; and $25 million for credit sales of acquired property. The act also extends the life of Section 515 multi-family housing loans from 30 to 50 years and allows the restructuring of Section 515 loan repayments based on a 50-year amortization schedule.

The FY1998 appropriations act provides a total subsidy level of $226 million for the Rural Housing Insurance Fund Program Account, which supports an estimated loan program level of $4.219 billion. The House proposed a subsidy level of $219 million (supporting a loan activity level of $4.169 billion. The Senate proposed a subsidy level of $224 million (supporting a loan activity level of $3.5 billion).

In addition, the act appropriates $541 million in rental assistance as proposed by the Senate. This is $47 million more than proposed by the House. The conferees also agreed to provide $2 million for Rural Community Fire Protection Grants, as proposed by the House. The Senate recommended a $1.3 million funding level. P.L. 105-86 establishes a $541 million funding level for rural housing assistance. This is the same amount proposed by the Senate and $47 million more than the $493 million requested by the House.

The Administration requested $1.305 billion in budget authority for RHS for FY1998, an $87 million increase over FY1997. A House-passed version of the USDA appropriations act would have made available $1.241 billion for RHS activities, $64 million less than requested by the Administration. The Senate-passed version of the bill would have provided $1.252 billion for RHS activities, $36 million above FY1997. Also, the Senate-passed bill would have supported an RHS loan authorization level totalling $3.52 billion, which is $680 million less than requested by the Administration and $630 million less than the House bill.

Rural Business-Cooperative Service (RBCS): This is the second of three services under the jurisdiction of the Under Secretary for Rural Development. The mission of the RBCS is to promote economic development and job creation in rural areas. The FY1998 appropriations act provides $17 million in loan subsidy level for the Rural Development Loan Fund. This is the same amount proposed by the House and less than the $19.2 million proposed by the Senate. In addition, the act appropriates about $6 million for the cost of Rural Economic Development Loans.

The earlier House-passed version of the bill would have appropriated $100.4 million for RBCS activities for FY1998. This is $39.5 million more than requested by the Administration, $36 million more than included in the Senate bill, and $4.4 millon less than appropriated in FY1997. Most of the difference between the House bill, the Administration request, and the Senate bill is because the Administration and the Senate bill proposed shifting funds for the Rural Business-Cooperative Assistance Program to the Rural Community Advancement Program.

Alternative Agricultural Research and Commercialization Corporation (AARC): The AARC, which is within the Rural Business-Cooperative Service, makes equity investment in rural businesses developing alternative (non-food, non-feed) uses for agricultural and forestry materials and animal by-products. P.L. 105-86 appropriates $7 million for AARC Revolving Fund activities. The Administration budget request and the Senate bill proposed a funding level of $10 million for FY1998, $3 million more than what was appropriated for FY1997. The House-passed bill did not provide FY1998 funding for AARC activities. The House report language encouraged the Corporation to fund its FY1998 operations with repayments to its revolving fund, as intended by Congress when the program was authorized.

Rural Utilities Service (RUS): This is the third of the three divisions under the jurisdiction of the Under Secretary for Rural Development. The RUS administers electric and telephone programs of the former Rural Electrification Administration and water and waste disposal programs of the former Rural Development Administration.

P.L. 105-86 funds most RUS activities under the RCAP program. RUS-related RCAP activities total $577 million in the conference agreement. The President had requested $125.7 million for RUS programs, $555 million below FY1997, primarily because the Administration shifted water and waste loans and grants to the Rural Community Advancement Program (RCAP). The Senate bill concurred with this shift and provided $117 million for RUS for FY1998. The House-passed bill provided $698.5 million to the RUS, because the bill did not concur with the funding request for RCAP, and instead proposed funding most of the RCAP programs under the Rural Utilities Assistance Program under RUS.

The act provides a total subsidy level of $36 million for Rural Electrification and Telecommunications Loans Program Account, $4 million more than the $32 million proposed by the House, and approximately $1 million less than the $35 million proposed by the Administration.

Distance Learning and Medical Link (DLML): The distance learning and medical link program, within RUS, is designed to provide incentives to improve the quality of phone services and to provide rural hospitals and schools access to advanced telecommunications services and computer networks. The act appropriates $12.5 million for the DLML program, $5 million more than FY1997, but $8.4 million below the Administration request. The funds can be used for grants or loans. House report language urged USDA to give careful consideration to education and training uses of the funds, including the training of those moving from welfare to the work force. Distance Learning and Medical Link funds would continue to be administered by the RUS.

Food and Nutrition Programs

The FY1998 agricultural appropriations act (P.L. 105-86) provides a total of $37.2 billion for food and nutrition programs in FY1998. This level is approximately the same as that recommended by the House, is $923 million less than the original Senate proposal, and is $2.6 billion less than the Administration request. Most of the difference lies with the final law provision for a food stamp contingency reserve of $100 million (as recommended in the House bill) instead of the $1 billion proposed by the Senate and the $2.5 billion requested by the Administration. The total amounts requested by the Administration and Congress, and contained in the final version of P.L. 105-86, are less than the amount appropriated for these programs in FY1997 (originally estimated at $40.5 billion). This is because P.L 105-86 reflects the first full fiscal year of savings from food stamp and child nutrition program reductions made by the 1996 welfare reform law, and better economic conditions. No major policy changes were envisioned by the amounts contained in the final law, despite the fact that the Congress approved and the President signed a budget reconciliation measure on August 5, 1998, that contains changes to the food stamp program that are expected to increase that program's FY1998 costs.

Food Stamps: P.L. 105-86 provides $25.14 billion in budget authority for the food stamps program and for nutrition assistance for Puerto Rico. This is $2.4 billion less than the Administration request of $27.55 billion, the same amount proposed by the House-passed bill, and about $960 million less than the $26.1 billion proposed in the Senate-passed bill. The Administration request included a proposed $2.5 billion contingency reserve fund for food stamps. The House bill provided a $100 million contingency reserve (the amount provided for FY1997 and in the finally approved bill). The Senate bill proposed a $1 billion contingency reserve. An amendment proposing to increase the FY1998 food stamp appropriation by $2.5 billion was withdrawn during House floor debate.

The balanced budget measure signed by the President on August 5, 1997 contains changes to the food stamp program that accommodate an agreement between the White House and Republican congressional leaders to provide an additional $1.5 billion in spending for the program over the next 5 years. Intended to moderate some of the $23.3 billion in net reductions (through FY2002) in food stamp spending enacted under last year's welfare law, the budget law makes changes primarily to provisions affecting eligibility/work requirements for able-bodied, non-elderly persons without dependents. CBO estimates that the changes will increase food stamp spending by $211 million in FY1998, which could mean higher spending for the program in FY1998 than is provided for in the appropriations law. Greater than anticipated participation declines in the food stamp program in FY1997, however, suggest that original estimates of spending for the program in FY1998 may be overstated. This may provide enough of a cushion so that the amount provided in the appropriations act, which is based on these estimates, would be sufficient to cover the additional cost of the budget agreement.

WIC and Child Nutrition: No major changes were contained in the Administration budget and congressional appropriations for WIC and child nutrition programs. Combined funding recommended for child nutrition programs for FY1998 ($7.77 billion) is much lower than FY1997 spending ($8.65 billion), primarily because of the cuts made to the child and adult care food and summer food programs by the 1996 welfare law. An amendment proposing to restore funding that was eliminated in 1996 for school breakfast start-up grants was defeated during floor consideration of the Senate appropriation measure (S. 1033). An amendment offered during House floor debate on H.R. 2160 to increase WIC funding by $24 million by reducing funds for crop insurance commissions also was defeated.

P.L. 105-86 adopted the House-proposed appropriation of $3.924 billion for the WIC program for FY1998. It also contained the House provisions prohibiting any WIC or other child nutrition program funding from being used for studies and evaluations. The final law amount for WIC is an increase of $118.2 million above FY1997 WIC funding and $184 million less than the Administration request. Congressional appropriators expect that the final WIC funding will maintain FY1998 program participation at the FY1997 monthly average level of 7.4 million participants. For FY1998, the Administration proposed to "fully" fund WIC at a level of just over $4.1 billion. This was estimated to provide service to the 7.45 million women, infants, and children the Administration projects are eligible and likely to participate if "full funding" were provided. The Administration request included a $100 million contingency reserve fund, in case unexpected costs or overly optimistic economic assumptions require more funding than originally anticipated, as happened in FY1997. Neither the House- nor Senate-passed appropriations measures approved this reserve. Up to $12 million of the FY1998 WIC appropriation may be used to carry out the WIC Farmers Market Nutrition Program. For FY1997, the Administration requested a supplemental appropriation for WIC because of an unexpected shortage of funding due to higher than expected participation and food cost increases. An increase of $76 million was approved in the FY1997 supplemental appropriations act (P.L. 105-18).

The final appropriation split the difference in the total amounts recommended by House and Senate bills for child nutrition programs (i.e. school lunch, school breakfast, child and adult care food, summer food, etc.). It provides a total of $7.768 billion instead of the $7.767 billion proposed by the House and $7.769 billion proposed by the Senate. The $3 million provided by the Senate and recommended by the Administration for nutrition studies and surveys was dropped in the conference agreement. Both the House- and Senate-passed bills funded the Center for Nutrition Policy Promotion at $2.2 million (the FY1997 level) instead of the $2.5 million requested by the Administration, and both provided this funding under food program administration, instead of the separate appropriations account requested. The House bill provided $5 million for nutrition education and training (NET) grants, $1.25 million more than FY1997, and $5 million less than the Administration request. No explicit funding for NET was provided in the Senate bill, but $4 million of the $10 million it provided for the school meals initiative was set aside for education and training activities. The final law provided $3.75 million for NET. The school meals initiative was funded at $8 million, roughly between the $5.9 million recommended by the House and the $10 million recommended by the Senate bill.

Commodity Donation Programs: The Administration proposed that funding for the elderly nutrition program and Pacific Island commodity program be consolidated with that provided for the emergency food assistance and soup kitchen-food bank program (EFAP) and for the commodity supplemental food program (CSFP). Total recommended spending for these five "commodity assistance programs" (CAP) would have been $272.2 million under the Administration request, or $35.1 million less than the $307.3 million total appropriated for them in FY1997. The Senate- and House-passed bills provided between $18 and $19 million more, respectively, than the Administration for these five programs ($289.8 million and $291 million, respectively) for FY1998. However, neither the House nor Senate approved merging the elderly nutrition and Pacific Island programs with the others. The final law provides a total of $282.2 million for the 5 programs: $141 million for the "Commodity Assistance Program," which contains EFAP and the CSFP, and $141.2 million for "food donations for selected groups," which contains the elderly nutrition program.

P.L. 105-86 provides $140 million for the elderly nutrition commodity program in FY1998, the same amount recommended by the Administration and contained in the House and Senate-reported bills. A House floor amendment raised this amount to $145 million, but this was deleted during conference deliberations. The total appropriation requested by the Administration for EFAP, soup kitchens, and the commodity supplemental food program (CSFP) for FY1998 (without elderly commodities and Pacific Island programs) was $131 million. This is $35 million less than the amount appropriated for these programs in FY1997. The House- and Senate-passed bills provided $141 and $148.6 million, respectively, for these three programs. The finally enacted bill adopted the House proposal ($141 million) and contains specific language specifying that CAP funds used for EFAP be used only for the administrative costs of the program, and not for any commodity purchases. This concurs with the Administration proposal to end discretionary federal spending ($45 million in FY1997) to buy commodities for EFAP and soup kitchens in FY1998. The final law makes room for $45 million in CAP discretionary funding (the same as in FY1997) for grants to states to help with costs of transporting, storing, and distributing commodities. Commodity support for EFAP and soup kitchens will come, solely, from the $100 million in food stamp appropriations required by food stamp law to be used to buy commodities for EFAP/soup kitchens. [1]

Assuming $45 million of the amount appropriated for the CAP is allocated for EFAP administrative grants (and this is not required), the remainder ($96 million) of the $141 million

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[1] FY1997 supplemental appropriations (P.L.105-18) cut $20 million from the $100 million in mandatory spending appropriated to the food stamp program to buy commodities for EFAP in FY1997 to help offset some of that legislation's additional funding for other programs (e.g. WIC and flood relief for farmers). The FY1998 appropriation law does not alter the $100 million mandatory spending from food stamp funds to buy commodities for EFAP and soup kitchens.

appropriated will go to the CSFP to provide monthly food packages consisting of USDA commodities to needy mothers, children, and elderly persons. This is $10 million more than the amount requested by the Administration for the CSFP, $20 million more than FY1997 appropriations, and about $4 million more than the total actually available to the program last year (because of carryovers from previous year funds).

For more information on food and nutrition programs, see CRS Report 97-927, *FY1998 USDA Budget and Appropriations: Domestic Food Programs*; CRS Report 97-566, *The Emergency Food Assistance Program: Issues in the 105th Congress*; CRS Issue Brief 97050, *Agricultural Issues in the 105th Congress;* CRS Report 95-366, *Food Stamp Reform: The Continuing Debate*, and CRS Report 97-108, *Child Nutrition Issues in the 105th Congress.*

Agricultural Research, Education, and Economics

The FY1998 agricultural appropriations act provides a total of nearly $1.9 billion to fund USDA's research, education, and economics (REE) agencies in FY1998. This amount is $60 million above the original House-passed bill and $41 million above the Senate-passed bill, The Administration had requested $1.800 billion in budget authority for the REE mission area.

Four agencies carry out USDA's REE function. The Department's in-house research agency is the Agricultural Research Service (ARS), which provides scientific support to 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 USDA's liaison with state-level research, education and extension programs. ARS, CSREES, the Economic Research Service (ERS), and the National Agricultural Statistics Service (NASS), are under the Under Secretary for Research, Education, and Economics (REE).

Agricultural Research Service (ARS): P.L. 105-86 provides a total of $825.2 million in budget authority for ARS for FY1998, compared to $784 million in the House-passed appropriations bill and $807.1 million in the Senate-passed bill. The Administration had requested $786 million for the agency, the same as ARS's appropriation for the FY1997. Of the $825.2 million in the bill, $744.6 million is for ARS's research activities (an increase of $27.8 million above FY1997) and $80.6 million is for the repair and modernization of buildings and facilities (an increase of $11.5 million above FY1997). The Administration had proposed terminating 72 research projects and redirecting $23 million to other research areas. The act concurs with terminating 10 projects and achieving management reductions for a total savings of $3.1 million dollars that ARS can direct to other priority research areas. The conferees adopted a measure in conference that will provide $420,000 from within the ARS budget for the National Academy of Sciences to study the scientific and organizational benefits and drawbacks of a potential independent food safety agency.

Cooperative State Research, Education, and Extension Service (CSREES): P.L.105-86 provides $854.8 million in budget authority for the research, education, and extension programs carried out by the states in cooperation with USDA. Although this represents a reduction from the overall FY1997 level of $909.4 million, the reduction is the result of a zeroing out of funding for new research facility construction on land grant university campuses -- $61.6 million in FY1997 -- not a reduction in funds for research. The funding directed to state research programs is actually increased by $10 million over the current level of $421.5 million. However, the act does reduce overall CSREES funding to the states for extension activities by close to 1%, from $426.3 million in FY1997 to $423.4 million. These reductions are in extension's special programs, however. The act maintains formula funds to the states under the Smith-Lever Act, for extension's core programs, and under the Hatch Act of 1887, for research, at FY1997 levels of $168.7 million and $268.5 million, respectively.

P.L. 105-86 provides $97.2 million for the National Research Initiative Competitive Grants program (NRI), which is less than either the House or Senate bills called for ($105.7 million and $100 million, respectively), but $3 million more than the FY1997 level. The conferees provided $51.1 million for special research grants (grants earmarked for research projects at specific land grant universities). The Administration had requested $10 million for special research grants; the House and Senate bills had provided $32 million and $47.5 million, respectively. The FY1997 funding for special grants is $49.8 million.

The conference agreement provides level funding -- $59 million -- for the Expanded Food and Nutrition Education Program of the Cooperative Extension Service. The conferees made slight reductions in Extension's family and youth, food safety, pest management, and pesticide applicator training programs under the 3(d) section of the Smith-Lever Act, but continued funding all except for two projects in Indiana and Nebraska. The Administration had requested slight increases in these programs, but neither the House nor the Senate had concurred in their respective bills. The Administration requested termination of funding for the Renewable Resources Extension Act (an Extension forest management education program for private foresters), but the conference agreement continues the program at the FY1997 level of $3.2 million.

Economic Research Service (ERS) and National Agricultural Statistics Service (NASS): The final FY1998 agriculture appropriations act provides $71.6 million for ERS in keeping with the House proposal to include in the ERS appropriation an additional $18.5 million that permits the agency to assume responsibility for all USDA economic research and analysis of food programs and food policy issues. The increase also is intended to enhance ERS's role in helping USDA implement the Government Performance and Results Act of 1993. The Administration's FY1998 budget request had proposed a $1 million increase in budget authority for ERS (for a total of $54 million), and the Senate bill would have maintained funding at the FY1997 level of $53.1 million.

The act provides $118 million for NASS in keeping with a provision in the Senate spending bill. This level represents an $18 million increase over the FY1997 level. Up to $36.3 million of the total amount is to be used to conduct the Census of Agriculture, which was administratively transferred from the Department of Commerce to USDA in 1996. The act also includes language giving USDA the authority to conduct the 1997 Census of Agriculture. A provision in the House bill that would have reduced NASS funding by $1.5 million to fund the Department's civil rights enforcement efforts was not adopted in the final bill.

Line Item Vetoes: On November 20, President Clinton submitted to Congress a list of items that he vetoed in the FY1998 agriculture appropriations act, using the new authority under the Line Item Veto Act of 1996 (P.L. 104-130). All five of the vetoed items pertain to agricultural research. Congress has 30 calendar days to disapprove the cancellations, if it chooses, once it returns in late January.

The President called for the cancellation of two ARS construction projects-- a Biocontrol and Insect Rearing Laboratory in Stoneville, Mississippi, and a Poisonous Plant Laboratory in Logan, Utah. These projects would renovate or replace existing ARS facilities. The cancellations would result in a $1.5 million reduction in ARS's budget authority for buildings and facilities in FY1998 (out of $80.6 million total). The President's rationale for vetoing funds for these two projects is that (1) the Administration did not request them in the FY1998 budget, (2) the projects would require additional funding for completion, and (3) new construction projects should be held in abeyance until the completion of a strategic plan encompassing all federally funded agricultural research facilities. Congress authorized the preparation of the strategic plan, which is due in April 1999, in the 1996 farm act.

Under the CSREES budget the President vetoed three special research grants totalling $440,000, one centered in Alaska and the other two in Ohio. The rationale for the cancellations is that (1) the Administration did not request them in the FY1998 budget, (2) there are higher priority research areas in need of funding, and (3) the land grant universities at which these projects would be conducted could support them with Hatch Act formula or other funds.

For further information see Issue Brief 97032, *Agricultural Research, Education, and Extension Issues in the 105th Congress*.

Meat and Poultry Inspection

USDA's Food Safety and Inspection Service (FSIS) is responsible for the mandatory inspection of most meat, poultry, and egg products to ensure their safety, wholesomeness, and proper labeling. In the 105th Congress, how to pay for inspection is a key issue. USDA and the industry are now implementing sweeping new rules to reduce pathogens in meat and poultry products, which supplement, rather than replace, existing inspection procedures. This has placed new funding demands on an already strained FSIS budget.

In its FY1998 budget request, the Administration had called for industry to pay an additional $390 million in user fees to cover a greater proportion of the costs of federal inspection. However, neither the House nor the Senate spending bill adopted the proposal and it was not contained in the final FY1998 appropriations act. The new fees would have covered the cost of all FSIS in-plant inspectors; currently, only some overtime inspection costs are covered by plants rather than taxpayers. If adopted, analysts estimated that industry would have been paying about 70% of the total cost of the entire inspection system.

P.L. 105-86 provides $589.3 million for FSIS activities in FY1998 in keeping with the House-passed spending bill (the Senate bill would have provided $590.6 million). This amount is above the FY1997 level of $574 million, and just below the Administration request for $591.2 million.

The act also contains a provision in the original House-passed bill to withhold $5 million of FSIS's FY1998 appropriation until USDA issues a final rule governing the storage and transportation of shell eggs, which Congress had first requested back in 1991. The Senate bill mandated FSIS to promulgate regulations on the storage and transportation of shell eggs by December 31, 1997, but would not have withheld funds.

The appropriations act does not include the Administration's request for nearly $2 million for pilot projects aimed at tracing and controlling the source of foodborne illness back to the farm level. The House Appropriations Committee maintained that APHIS rather than FSIS is the appropriate agency to conduct such projects. Senate bill language opposed any food safety requirements being imposed at the farm level.

An amendment to the House bill adopted in full committee would have shifted $446,000 from FSIS to the Office of the Under Secretary for Food Safety, which oversees one agency (FSIS), and had been vacant for nearly 3 years until the undersecretary position was filled this fall. The Senate bill concurred with the House in providing $446,000 to fund the Office, but directed it to come from new appropriations rather than from the FSIS budget. P.L. 105-86 contains the Senate provision.

(For more information see CRS Issue Brief 95062, *Meat and Poultry Inspection Issues*.)

Marketing and Regulatory Programs

The mission of USDA marketing and regulatory programs -- administered by three agencies, the Agricultural Marketing Service (AMS), the Animal and Plant Health Inspection Service (APHIS), and the Grain Inspection, Packers, and Stockyards Administration (GIPSA) -- are to "facilitate the domestic and international marketing of U.S. agricultural products and to ensure the health and care of animals and plants while improving market competitiveness and the economy for the overall benefit of both consumers and American agriculture," according to USDA.

Animal and Plant Health Inspection Service (APHIS): APHIS spending accounts for most of the marketing and regulatory program budget.
The FY1998 agriculture appropriations act provides $426.3 million in funding for APHIS's programs, and another $4.2 million for the construction and repair of APHIS buildings and facilities ($430.5 in total). The agency also is authorized to use $88 million of the revenue derived from user fees to help cover the costs of its agricultural quarantine and inspection programs at U.S. airports and ports of entry. The user fee provision is in keeping with the House-passed spending bill; the Senate bill concurred with the Administration's request for authority to use $100 million of the user fee account. The actual $88 million user fee authorization is $10 million below the FY1997 level.

P.L. 105-86 contains language giving broad authority to APHIS to collect user fees for providing technical assistance, goods or services as long as such fees are "reasonably based" on the services APHIS is providing. The act does not specify for which programs the agency may use this authority. The President's budget request had proposed a $10 million increase in mandatory cost sharing (through user fees) for animal welfare, biotechnology regulation, the Animal Damage Control Program, and other selected APHIS programs. The conferees' statement directs APHIS "to continue its efforts to maximize cost sharing in all states to the extent possible," but states that differing circumstances among states make a rigid cost-sharing requirement unfeasible. However, the final bill does include a provision requiring APHIS to obtain at least 40% matching funds for administering brucellosis eradication programs in the current fiscal year.

The act contains $26.7 million -- same as the FY1997 level -- for APHIS Agricultural Quarantine and Inspection (AQI) activities at the Mexican and Canadian borders, Hawaii and Puerto Rico. The President's budget had proposed a $1.3 million increase (to $27.8 million) for this purpose. The Administration also had requested a $5 million increase in funding (for a total of $9 million) for the agency's pest detection activities, but the act provides a $2.1 million increase in this area, for a total of $6.3 million.

Agricultural Marketing Service (AMS): The FY1998 appropriations act provides a total of $58.5 million in FY1998 budget authority for AMS. Of this, $46.6 million is budget authority for the agency's marketing services. The Administration had proposed $49.7 million, and the House and Senate spending measures would have provided $45.6 million and $49.6 million, respectively. The balance of the $58.5 total consists of $10.7 million in budget authority for AMS programs to strengthen markets, income and supply; and $1.2 million for payments to states for program administration. The act contains Senate report language directing that $1 million be provided for "AMS marketing assistance to Alaska."

Grain Inspection, Packers, and Stockyards Administration (GIPSA): P.L. 105-86 provides $24 million in budget authority for GIPSA, which is the same as contained in the original House-passed version, slightly higher than the Senate level of $23.5 million, and $1.8 million lower than the Administration's request. This along with an anticipated $43 million in user fees, would bring the agency's program level to $66 million in FY1998, about the same as FY1997 and about $3 million less than proposed by the Administration. A Senate provision to provide additional funds for a study of meat packer competition and industry structure was not included in the final act.

Food and Drug Administration

P.L. 105-86 includes a total appropriation of $925.1 million for FY1998 to fund the programs of the Food and Drug Administration (FDA). Salaries and expenses are funded at $857.5 million, including two special initiatives: $34 million to fully fund outreach and enforcement activities to implement the August 1996 rule on the regulation of nicotine-containing tobacco products, and $24 million for FDA's portion of the President's Food Safety Initiative. In addition, the law allows FDA to collect $91.2 million in user fees under the Prescription Drug User Fee Act (PDUFA) and $14 million under the Mammography Quality Standards Act (MQSA) for certification that mammography facilities and equipment comply with national quality and safety standards. It also authorizes $7.5 million to be collected in fees for the certification of exports.

After the appropriation act became law, President Clinton signed the Food and Drug Administration Modernization Act (P.L. 105-115, S. 830) on Nov. 21, 1997. This act contained a reauthorization of the PDUFA program for five years and authorized FDA to collect $106.8 million in fees for FY 1998. Under PDUFA, FDA charges pharmaceutical companies user fees to supplement existing appropriations. The Act requires that Congress annually approve the total collection levels for this program in its appropriations bill.

The FY1998 appropriations act requires FDA to submit a detailed operating plan for FY 1998 to the appropriations committees no later than 30 days after enactment which will include a proposal for expenditure of available funds by each center, and for other related activities. The act requires this operating plan to compare proposed funding levels to the initial FY1998 budget request and FY1997 current operating levels, and include narrative explanations as appropriate. The report also noted that the conferees expect FDA to consult with the House and Senate Appropriations Committees to develop this operating plan, which will serve as the basis for reprogramming notifications throughout the remainder of the fiscal year.

P.L. 105-86 did not include any reference to the President's request for authorization to collect $122 million in new "general user fees." The President had requested these fees to be used to reduce the federal deficit, replace appropriated funds, and pay for the agency's regular programs, e.g., premarket approval activities for food and color additive petitions, and postmarketing regulatory actions. However, both the House and Senate rejected this request and prohibited FDA from developing, establishing, or operating any such program. Report language from both appropriations committees noted that such a request would be more appropriately considered by the authorizing committees.

Selected World Wide Web Sites

USDA Budget Summary
http://www.usda.gov/agency/obpa/Budget-Summary/1998/text.html#toc

USDA Missions and Support Programs
http://www.usda.gov/mission/miss-toc.htm

Table 3. U.S. Department of Agriculture and Related Agencies Appropriations, Budget Authority
(in millions of dollars)

USDA and Related Agencies Appropriations	**FY1997 Enacted (includ. supple-mentals)**	**FY1998 Admini-stration Request**	**FY1998 House-Passed Bill**	**FY1998 Senate-Passed Bill**	**FY1998 Enacted (1)**
Title I -- Agricultural Programs					
Agric. Research Service (ARS)	785.9	786.1	784.1	807.1	825.2
Coop. State Resrch. Educ. and Extension Service (CSREES)	909.4	840.2	836.3	850.8	854.9
Animal Plant Health and Inspection Service (APHIS)	438.1	431.7	427.4	441.4	430.5
Agric. Mkting. Service (AMS)	50.3	61.7	57.5	61.5	58.5
Food Safety and Inspection Service (FSIS)	574.0	591.2	589.3	590.6	589.3
Farm Service Agency (FSA)	748.5	746.9	704.5	703.2	703.2
Risk Management Agency	64.0	271.0	253.6	266.6	252.6
Farm Loans (FSA) -- Subsidy	140.5	97.6	95.8	102.4	102.4
** Farm Loan Authorization*	*3,080.7*	*2,831.8*	*2,852.5*	*2,940.7*	*2,940.7*
Federal Crop Insur. Corp. Fund	1,785.0	1,584.1	1,584.1	1,584.1	1,584.1
Commodity Credit Corporation	1,500.0	783.5	783.5	783.5	783.5
Other	722.2	749.8	759.4	732.1	748.2
Total, Agricultural Programs	**7,717.9**	**6,943.7**	**6,875.4**	**6,923.3**	**6,932.4**
TITLE II -- Conservation Programs					
Conservation Operations	619.7	722.3	610.0	729.9	633.2
Total, Conservation Programs	**770.6**	**822.0**	**759.4**	**825.6**	**789.9**
TITLE III -- Rural Economic and Community Development					
Rural Housing Service	1,217.5	1,304.8	1,241.6	1,252.5	1,254.8
Rural Business-Cooperative Service	104.8	61.0	100.45	64.4	62.0
Rural Utilities Service	680.9	125.7	698.5 (2)	117.0	118.4
Rural Community Advancement Program	--	688.6	(2)	644.3	652.2
Total, Rural Dev. Programs	**2,003.8**	**2,180.6**	**2,041.2**	**2,078.9**	**2,088.1**
** Total, Rural Dev. Loan Authorization*	*5,280.3*	*5,869.8*	*5,854.8*	*5,295.2*	*6,024.5*

USDA and Related Agencies Appropriations	FY1997 Enacted (includ. supple-mentals)	FY1998 Admini-stration Request	FY1998 House-Passed Bill	FY1998 Senate-Passed Bill	FY1998 Enacted (1)
TITLE IV Domestic Food Programs					
Child Nutrition	8,653.3	7,782.8	7,767.0	7,769.1	7,767.8
Women, Infants and Children (WIC) Program	3,805.8	4,108.0	3,924.0	3,927.6	3,924.0
Food Stamps	27,618.0	27,551.5	25,140.5	26,051.5	25,140.5
Commodity Donation Programs	307.3	272.2	287.2	289.8	282.2
Other	106.6	108.5	104.5	108.2	108.2
Total, Food Programs	**40,491.0**	**39,823.0**	**37,223.2**	**38,146.1**	**37,222.6**
Title V -- Foreign Assistance					
Foreign Agric. Service (FAS)	131.3	146.5	131.3	132.4	131.3
Public Law (P.L.) 480	1,067.8	967.0	1,056.8	1,066.1	1,063.1
CCC Export Loans Subsidy	390.3	527.5	527.5	527.5	527.5
** Export Loan Guarantees*	*3,500.0*	*5,700.0*	*5,700.0*	*5,700.0*	*5,700.0*
Total, Foreign Assist.	**1,593.2**	**1,645.1**	**1,719.4**	**1,729.8**	**1,725.7**
Title VI -- Related Agencies					
Food and Drug Administration	887.6	820.1	920.1	942.3	925.1
Farm Credit System Financial Assistance Corporation	10.3	7.7	7.7	7.7	7.7
Commodity Futures Trading Corporation (CFTC)	55.1	60.1	57.1	60.1	58.1
Total, Related Agencies	**953.0**	**887.9**	**984.9**	**1,010.1**	**990.9**
Title VII -- Emergency Appropriations	360.0	--	--	--	
Total -- Before Scorekeeping Adjustments	**53,889.5**	**52,302.2**	**49,603.6**	**50,713.9**	**49,749.7**
CBO Scorekeeping Adjustments (3)	(762.0)	(17.5)	(156.5)	(211.6)	(199.5)
Grand Total -- After Scorekeeping Adjustments	**53,127.5**	**52,284.6**	**49,447.1**	**50,502.2**	**49,550.2**

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 $140.5 million in subsidy for farm loans in FY1997 supported $3.08 billion in total new loans. Only the subsidy level is included in the budget authority totals.
(1) FY1998 enacted does not reflect line item vetoes of $1.5 million to ARS programs, and $440,000 to CSREES.
(2) The House bill funds most Rural Community Advancement Program activities within the Rural Utilities Service
(3) Scorekeeping adjustments reflect the savings or cost associated with provisions that affect mandatory programs.

Source: House and Senate Appropriations Committees