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Appropriations for FY2003: 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.

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 Appropriations Subcommittees on Agriculture. 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.

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

Appropriations for FY2003: U.S. Department of Agriculture and Related Agencies

Summary

The House and Senate Appropriations Committees completed action on their respective versions of the FY2003 appropriations bill for the U.S. Department of Agriculture and related agencies. However, neither chamber conducted floor action on its respective measure before adjournment. Meanwhile, FY2003 funding for USDA and related agencies currently is being governed until January 11, 2003 by a fifth continuing resolution (P.L. 107-294). The adopted resolution establishes FY2003 funding at the FY2002 enacted level including supplemental appropriations.

The House-reported version of the FY2003 agriculture appropriations bill (H.R. 5263) contains total funding of $74.31 billion, which is $355 million below the $74.66 billion provided in the Senate-reported bill (S. 2801). Both measures are above the Administration's FY2003 request of $74.064 billion, and the FY2002 enacted level of $73.631 billion (including supplementals). Of the total provided in the bills, $17.601 billion is for discretionary programs in H.R. 5263 and $17.98 billion in S. 2801, compared with the Administration request of $17.421 billion.

Among their common elements, both the House- and Senate-reported bills: 1) reject an Administration proposal to eliminate funding for three ongoing watershed programs and replaces them with regular funding for the Emergency Watershed Program; 2) fund special research grants proposed to be terminated by the Administration, and eliminate funding for a mandatory research program; 3) expresses concern over an Administration proposal to reduce mandatory foreign food aid spending; 4) increase funding over FY2002 for food safety and animal and plant health inspection activities reflecting increased government responsibility to protect the food supply from terrorist attacks; and 5) increase USDA food and nutrition program spending by $4 billion over FY2002, in line with the Administration request, including $3.2 billion more for the food stamp program.

Managers of the two bills fended off attempts in committee to use the FY2003 agriculture appropriations bill as a vehicle for modifying the recently enacted 2002 farm bill (P.L. 107-171), which established federal farm policy for the next 6 years. Although no major changes were adopted in either committee, separate floor amendments to H.R. 5263 and S. 2801 are expected to be offered that would modify farm commodity program payment limits and change the structure and business methods of the livestock industry. Additionally, members who support the sale of U.S. agricultural products to Cuba might offer amendments to relax specific prohibitions included in current law.

Separately, an amendment to the FY2003 Interior appropriations bill (H.R. 5093) was adopted in the Senate. The amendment would have provided an estimated $6 billion in supplemental crop and livestock assistance to disaster stricken farmers and ranchers. There was no further consideration of H.R. 5093 in the 107th Congress. Hence, the issue of whether to provide supplemental farm disaster assistance likely will resurface early in the 108th Congress. The Administration has stated that such assistance must be offset with comparable spending reductions.

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Most Recent Developments

On November 23, 2002, the President signed into law a fifth continuing resolution for FY2003 (P.L. 107-294, H.J.Res. 124), which funds FY2003 federal non-defense spending at the FY2002 level, through January 11, 2003.

During the week of July 22, 2002, the Senate Appropriations Committee completed subcommittee and full committee action on its version of the FY2003 appropriations bill for the U.S. Department of Agriculture and related agencies (S. 2801, S.Rept. 107-223). S. 2801 contains total funding of $74.661 billion, compared with $74.306 billion in the House Appropriations Committee-reported bill (H.R. 5263, H.Rept. 107-623). To date, there has been no floor action on either measure.

Separately, on September 10, 2002, an estimated $6 billion in emergency supplemental farm disaster assistance was attached to the FY2003 Interior appropriations bill (H.R. 5093) on the Senate floor. However, no further action was taken on the measure in the 107th Congress.

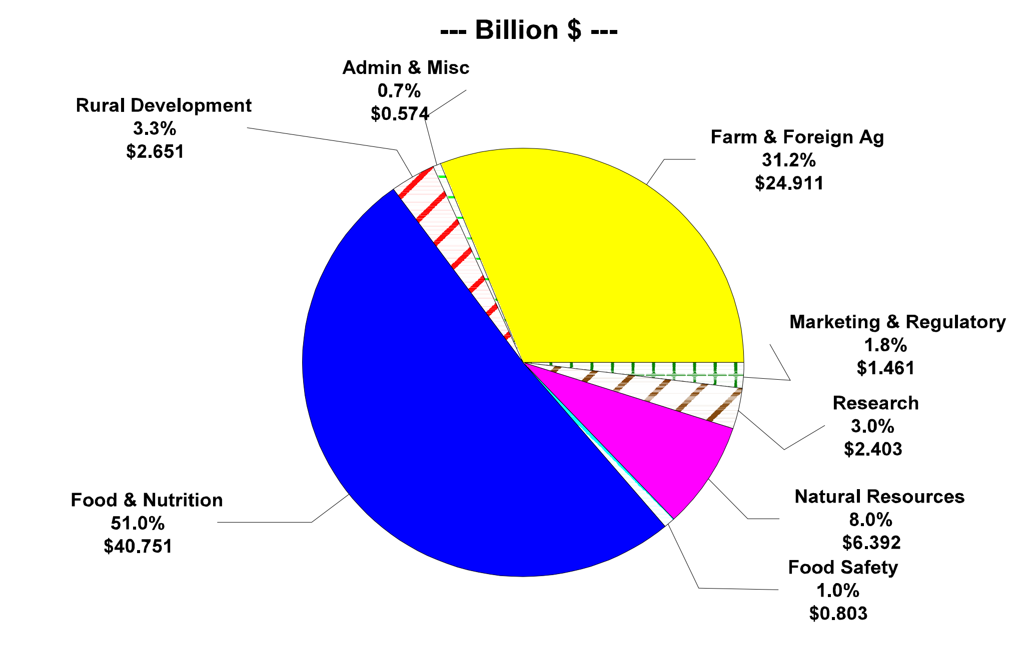
USDA Spending at a Glance

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

USDA gross outlays for FY2001 (the most recently completed fiscal year for which data currently are available) were $79.95 billion. The mission area with the largest gross outlays ($40.75 billion or 51% of spending) was for 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. The second largest mission area in terms of total spending is for farm and foreign agricultural services, which totaled $24.9 billion, or 31.2% of all USDA spending. Within this area are the programs funded through the Commodity Credit Corporation (e.g., the farm commodity price and income support programs and certain mandatory conservation and trade programs), crop insurance, farm loans, and foreign food aid programs.

USDA spending in FY2001 also included $6.4 billion (8%) spent on an array of natural resource and environment programs, approximately three-fourths of which was for the activities of the Forest Service, and the balance for a number of discretionary conservation programs for farm producers. (USDA's Forest Service is funded through the Interior appropriations bill, and is the only USDA agency not funded through the annual agriculture appropriations bill.) USDA programs for rural development ($2.65 billion in gross outlays for FY2001); research and education ($2.4 billion); marketing and regulatory activities ($1.46 billion); meat and poultry inspection ($803 million); and departmental administrative offices and other activities ($574 million) account for the balance of USDA spending.

Figure 1
U.S. Department of Agriculture Actual Gross Outlays, FY2001



Source USDA Budget Summary, FY2003.

Mandatory vs. Discretionary Spending

Approximately three-fourths of total spending within the U.S. Department of Agriculture is classified as mandatory, which by definition occurs outside the control of annual appropriations. Currently accounting for the vast majority of USDA mandatory spending are: the farm commodity price and income support programs (including ongoing programs authorized by the 1996 farm bill and emergency programs authorized by various appropriations acts); the food stamp program and child nutrition programs; the federal crop insurance program; and various agricultural conservation and trade programs.

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

The other 25% of the USDA budget is for discretionary programs, which are determined by funding in annual appropriations acts. Among the major discretionary programs within USDA are Forest Service programs; certain conservation programs; most of its rural development programs and research and education programs; agricultural credit programs; the supplemental nutrition program for women, infants, and children (WIC); the Public Law (P.L.) 480 international food aid program; meat and poultry inspection, and food marketing and regulatory programs. Funding for all USDA discretionary programs (except for the Forest Service) is provided by the annual agriculture appropriations act. Funding for Forest Service programs is included in the annual Interior appropriations act.

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

Table 1. USDA and Related Agencies Appropriations, FY1994 to FY2002
(budget authority in billions of dollars)

	FY94	**FY95**	**FY96**	**FY97**	**FY98**	**FY99**	**FY00**	**FY01**	**FY02**
Discretionary	$14.59	$13.29	$13.31	$13.05	$13.75	$13.69	$13.95	$15.07	$16.02
Mandatory	$56.25	$54.61	$49.78	$40.08	$35.80	$42.25	$61.95	$58.34	$56.91
Total Budget Authority	$70.84	$67.90	$63.09	$53.12	$49.55	$55.94	$75.90	$73.41	$72.93

Note: Includes regular annual appropriations for all of USDA (except the Forest Service), the Food and Drug Administration, and the Commodity Futures Trading Commission. Excludes all emergency supplemental appropriations.
Source: House Appropriations Committee.

Recent Congressional Action

FY2003 Continuing Resolution (P.L. 107-294)

The 107th Congress adjourned without approving a regular full-year FY2003 appropriations measure for all non-defense agencies and programs, including USDA and related agencies. FY2003 spending for these agencies and programs currently is being governed by a fifth continuing resolution (P.L. 107-294, H. J. Res. 124) which expires on January 11, 2003. P.L. 107-294 maintains FY2003 spending at the FY2002 level (including supplementals) for the effective period of the resolution.

For discretionary programs, the resolution requires funds to be allocated at the same rate as in FY2002, that is, the equivalent of one-twelfth of the FY2002 appropriation is available in each month in FY2003. One exception to this is the rate of funding for USDA's Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Total FY2003 spending for WIC is limited to its FY2002 level of $4.4 billion. However, its authorizing statute requires that program funding be "front loaded," so that one-third of the funds are allocated to the states in the first quarter of the fiscal year, instead of the one-fourth funding that would accrue to the program in the first quarter under the continuing resolution.

The continuing resolution contains specific requirements for the rate of spending for mandatory programs. The resolution allows the funds to be made available at whatever rate of spending is required by a mandatory program's authorizing statute. Hence, full funding for food stamps and child nutrition programs will be provided under the current resolution regardless of what proportion it is of total spending, as long as it does not exceed the total FY2002 appropriation. The mandatory farm price and income support programs also are unaffected, but this is because they do not require an annual appropriation, but instead rely on the borrowing authority of USDA's Commodity Credit Corporation (CCC) for their funding. The CCC does receive an annual appropriation to reimburse it for its annual operating losses. Since the requested funding level for the CCC is below the FY2002 appropriation, available CCC borrowing authority is expected to be adequate

If a final appropriations measure is not enacted in FY2003 and USDA operates under a continuing resolution for the entire fiscal year that limits funding to the FY2002 level without exception, USDA and related agency spending could be adversely affected, according to USDA budget officials. Maintaining funding levels at the FY2002 level could lead to problems for some of the nutrition programs that are regarded as "entitlements." Also, all government agencies and programs must absorb a mandated federal pay increase for FY2003, currently scheduled at 3.1%.

FY2003 Budget Resolution

The full House approved its version of an FY2003 budget resolution (H.Con.Res. 353) on March 20, 2002. The Senate Budget Committee completed markup of its version of the resolution (S.Con.Res. 100) during the week of March 18, 2002. Senate floor action is pending. The budget resolution establishes a framework for all federal spending and revenue for FY2003 and does not require presidential approval. Although the FY2003 budget resolution has not been resolved, the House and Senate Appropriations Committees have made FY2003 discretionary spending allocations to each of their thirteen subcommittees to fund their respective annual appropriations bills. These so-called 302b allocations are based on the amount of total discretionary spending contained within the House and Senate versions of the FY2003 budget resolution. The agriculture subcommittee of the House Appropriations Committee received an allocation of $17.601 billion for the funding of all USDA and related agency programs under the subcommittee's jurisdiction. Because total discretionary spending is higher in the Senate version of the budget resolution, the Senate Appropriations Committee allocated $17.980 billion to its agriculture subcommittee.

FY2002 Supplemental Appropriations

On August 2, 2002, the President signed into law a supplemental appropriation bill (P.L. 107-206, H.R. 4775) for FY2002. The conference agreement adopted by both chambers contained total appropriations of $28.9 billion primarily to continue the war on terrorism and to address homeland security needs. Of the $28.9 billion in the law, $5.1 billion was provided contingent upon the President submitting a formal request for the funds and declaring a budget emergency for the new spending, which the President did not provide by the required deadline. Funding in P.L. 107-206 was in addition to $20 billion in FY2002 supplemental funding provided in an earlier supplemental measure (P.L. 107-117), also primarily in response to the September 11, 2001 terrorist attacks.

Within the $28.9 billion provided in P.L. 107-206 was approximately $377 million in supplemental funding for USDA and related agencies. Most of the $377 million was designed to help protect production agriculture and the food supply from terrorist threats, and to provide emergency watershed assistance to flooded areas. However, $165 million of the $377 million was designated as a contingent appropriation and thus required a formal request and an emergency designation by the President by early September. Since $165 million of this amount was contingent upon an emergency designation from the President (which was not provided), total funding provided by P.L. 107-206 to USDA and related agencies was instead $212 million.

The only Administration request for new supplemental funding within USDA was $75 million for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program to address rising caseload requirements. The only non-contingent appropriations for USDA in the Act were the $75 million requested for WIC; as well as funding of $94 million for Watershed and Flood Prevention Operations; $25 million for the Ames, Iowa animal disease research facility; $10 million in agricultural assistance to producers along the Rio Grande; and $8 million in Rural Utilities Service loan guarantees. P.L. 107-206 also contained rescissions of USDA spending, including a $450 million reduction in the *authorized* mandatory spending level for the Export Enhancement Program (EEP) in FY2002 (from $478 million to $28 million), although *actual* spending for EEP has been close to $0 in recent years.

Table 2. FY2002 Supplemental Appropriations (P.L. 107-206/H.R. 4775): USDA and Related Agencies Provisions

-million $-

Department, Agency, Office or Programs	House	Senate	P.L. 107-206
Non-Contingent USDA Appropriations:			
Food and Nutrition Service Women, Infants and Children (WIC) Program	75.0	75.0	75.0
Agricultural Research Service Buildings and Facilities: (Security for Ames, IA animal disease research)	–	50.0	25.0
Natural Resources Conservation Service Watershed and Flood Prevention Operations: Natural disasters.	–	73.0	94.0
Rural Utilities Service Local Television Loan Guarantee Program	–	20.0	8.0
Agricultural assistance to producers along the Rio Grande due to failure of Mexico to deliver water under current treaty	–	10.0	10.0
Total: Non-Contingent USDA Appropriations	**75.0**	**228.0**	**212.0**
Note: The following contingent funds were included in the act, but *were not provided* to USDA or FDA because availability of funds was contingent upon the President declaring a budget emergency for such spending, which was not declared.			
Contingent Appropriations: USDA and FDA:			
USDA			
Office of the Secretary Upgrades of facilities for homeland security	–	18.0	18.0
Agricultural Research Service Salaries and Expenses: (Animal and plant diseases)	–	16.0	8.0
Cooperative State Research, Education, and Extension Service Extension Activities: National extension program of first response in rural areas in the event of a disaster	–	16.0	6.0
Animal and Plant Health Inspection Service Salaries and Expenses: Protection against bio-terrorism threats Buildings and Facilities: Security measures	10.0 –	– 60.0	33.0 –
Food Safety and Inspection Service: Foreign country equivalence agreements (House) International oversight activities for imported meat and poultry (Senate). Combination of House and Senate (Conference Report).	2.0	15.0	13.0
Natural Resources Conservation Service Watershed and Flood Prevention Operations: Natural disasters.	–	27.0	50.0
Rural Community Advancement Program Protection of Rural Water Supplies from Terrorism	–	25.0	20.0
Food and Drug Administration: Medical devices and radiological health	18.0	–	17.0

Total Contingent Appropriations: USDA and FDA	**30.0**	**177.0**	**165.0**
Grand Total (Contingent and Non-Contingent) before Rescissions	**105.0**	**405.0**	**377.0**
Rescissions:			
Export Enhancement Program limitation	(450.0)	–	(445.0)
Rural Utilities Service	–	(20.0)	(20.0)
Food Stamps	–	(33.0)	(24.0)

The 2002 Farm Bill (P.L. 107-171)

The President signed into law on May 13, 2002 the Farm Security and Rural Investment Act of 2002 (P.L. 107-171, the 2002 farm bill) which establishes federal farm policy for the next 6 years. The FY2002 budget resolution (H.Con.Res. 83) permitted the House and Senate Agriculture Committees to report omnibus farm legislation that increased mandatory spending by $73.5 billion over 10 years (FY2002-2011) on USDA-administered farm, conservation, trade, food and nutrition and related programs. Earlier this year, the Congressional Budget Office projected that the enacted 2002 farm bill would increase mandatory spending by $44.1 billion over the 6-year life of the act and $73.5 billion over 10 years, as permitted by the budget resolution. (For more information, see the CRS Electronic Briefing Book Page, *What is the Cost of the 2002 Farm Bill?*).

A number of provisions that were considered during the farm bill debate but were not included in the conference agreement might resurface as floor amendments to the FY2003 agriculture appropriations bill or another vehicle. These include possible consideration of a multi-billion dollar emergency disaster payment package for 2001 and/or 2002 crop and livestock losses; more stringent payment limitations for farm commodity price and income support programs; and a prohibition on meat packers from owning livestock. For more information on the omnibus farm bill, see the CRS electronic resource, Agriculture Policy and the Farm Bill Briefing Book.

FY2003 Agriculture Appropriations Action

Administration's Request. As the first step in the FY2003 appropriations process, the Bush Administration released its budget request on February 4, 2002. Within the budget, the Administration requested FY2003 budget authority of $74.064 billion for the U.S. Department of Agriculture and related agencies (which includes all of USDA except the Forest Service, and also includes the Food and Drug Administration and the Commodity Futures Trading Commission.) The $74.064 billion requested for FY2003 is $928 million above the *regular* appropriations of $73.136 billion made in FY2002 (P.L. 107-76). It is $432 million above the *total* FY2002 appropriations of $73.632 billion, which includes two supplemental appropriations acts (P.L. 107-117 and P.L. 107-206), which made nearly $500 million in net supplemental appropriations to various USDA programs, FDA, and CFTC in response to the September 11 terrorist attacks.

The requested $17.4 billion for discretionary accounts is $1.4 billion above regular discretionary appropriations of $16.0 billion made in FY2002, and $870 million above the total appropriation of $16.55 billion that includes the $535 million supplemental. Accounting for $368 million of the requested increase in discretionary spending for USDA and related agencies is the Administration's assumption of a legislative proposal that would require all federal agencies to assume the full cost of accruing employee pensions and retiree health benefits beginning in FY2003.[1]

Table 3. Congressional Action on FY2003 Appropriations for the U.S. Department of Agriculture and Related Agencies

Subcommittee Markup Completed		House Report	House Passage	Senate Report	Senate Passage	Conference Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
6/26/02	7/23/02	H.R. 5263 (H.Rept. 107-623) 7/26/02	**	S. 2801 (S.Rept. 107-223) 7/25/02	**	**	**	**	**

** = Pending

House Action. The agriculture subcommittee of the House Appropriations Committee and the full House Appropriations Committee completed their respective markups of the FY2003 agriculture bill for USDA and related agencies on June 26 and July 11, 2002, respectively. The bill (H.R. 5263) and report (H.Rept. 107-623) were filed by the full committee on July 26, 2002

Total appropriations in H.R. 5263, as reported, are $74.306 billion, of which $17.601 billion are for discretionary programs, and $56.705 billion for mandatory USDA programs. The $17.601 billion for discretionary programs is exactly equal to the 302b allocation given to the subcommittee by the full committee, (see "FY2003 Budget Resolution" above), and $180 million above the President's request for FY2003. The discretionary level in the House bill is $908 million higher than what was provided in FY2002 including supplementals, or $1.4 billion higher than the regular FY2002 appropriations excluding emergency supplementals.

Senate Action. The Senate Appropriations Committee completed subcommittee and full committee markup during the week of July 22, 2002, and reported its version of the FY2003 agriculture appropriations bill (S. 2801, S. Rept 107-223) on July 25. S. 2801, as reported, provides total funding of $74.66 billion, which is $354 million above the House bill, $598 million above the Administration request, and $1 billion above the FY2002 enacted level including supplementals. Of the total amount provided in S. 2801, $17.98 billion is for discretionary programs,

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[1] Although the total Administration request for FY2003 includes the estimated $368 million to fund this proposal, this report (in conformance with the presentation of data by the House Appropriations Committee) does not allocate these requested funds across individual agencies.

compared with $17.6 billion in the House bill, $17.4 billion in the Administration's request and $16.55 billion provided in FY2002.

FY2003 Agriculture Appropriations: Proposed Spending Levels and Current Issues

The following sections compare the House and Senate Appropriations Committee bills (H.R. 5263 and S. 2801) to each other and to the Administration's FY2003 request and the FY2002 enacted level for various mission areas and agencies within USDA, and for FDA. Also see the table at the end of the report for a tabular summary of the House and Senate bills, the FY2003 request, and the FY2002 appropriations. This report and the table will track congressional action on the FY2003 agriculture appropriations bill as the process continues.

Farm Commodity Support

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

The CCC must eventually repay the funds it borrows from the Treasury. But, because the CCC never earns more than it spends, its losses must be replenished periodically through a congressional appropriation so that its $30 billion borrowing authority (debt limit) is not depleted, which would render the corporation unable to function. Congress generally provides this infusion through the regular annual USDA appropriation law. Because of the degree of difficulty in estimating its funding needs, which is complicated by crop and weather conditions and other uncontrollable variables, the CCC in recent years has received a "current indefinite appropriation," which in effect allows the CCC to receive "such sums as are necessary" during the fiscal year for previous years' losses and current year's losses. Indefinite appropriations have become more common for the CCC in recent years, particularly in FY2000 when CCC net outlays in that year totaled $32 billion. Without an indefinite appropriation, the CCC would have exhausted its $30 billion borrowing limit.

For FY2003, the Administration requests an indefinite appropriation for the CCC estimated at $16.285 billion, compared with an estimated $20.279 billion for FY2002. Both H.R. 5263 and S. 2801 concur with this request and estimate.

Farm Disaster Assistance. With a large portion of the nation in extreme and severe drought this year, proponents of emergency supplemental farm disaster assistance had stated that they would offer floor amendments to the FY2003 agriculture appropriations bill providing such assistance. However, when floor consideration of the agriculture appropriations bill was delayed, supporters of emergency aid decided instead to attach the amendment to any other appropriations bill that was being considered on the Senate floor.

On September 10, 2002, the full Senate agreed to a Daschle amendment (S. Amdt. 4481) to the FY2003 Interior appropriations bill (H.R. 5093), which would provide an estimated $5.95 billion in crop and livestock disaster assistance to farmers for both 2001 and 2002 production year losses. The bill has not yet been given final approval by the full Senate. The House-passed version of H.R. 5093 contains no comparable disaster provisions. However, H.R. 5383 (Cubin), introduced on September 13, 2002, is identical to the Daschle amendment.

The House reported bill (H.R. 5263) contains $100 million in regular FY2003 discretionary spending for payments to livestock producers with 2002 livestock losses in a disaster designated area. The Senate reported bill (S. 2801) contains no livestock assistance. Neither bill currently contains any disaster assistance for crop farmers. An amendment to provide assistance to specialty crop growers (primarily fruits and vegetables) was defeated by a vote of 29-31 in the full House Appropriations Committee markup.

The President's request did not anticipate any emergency supplemental spending for economic or natural disaster assistance for farmers in FY2003, which if enacted would alter CCC spending. The Administration contends that the $73.5 billion in new farm bill spending over 10 years provides adequate financial assistance to farmers, and that if any additional ad hoc assistance is provided it should be offset with spending reductions in other USDA accounts.

For more information on this topic, see the CRS Electronic Briefing Book page on Farm Disaster Assistance, and CRS Report RS21212, *Farm Disaster Assistance.*

Payment Limits. The 2002 farm bill established annual limits for recipients of farm commodity support payments. Supporters of payment limits argue that the federal government should not directly finance the consolidation of farms into larger and larger operations through commodity support programs. Critics of payment limits counter that all farms are in need of support when market prices decline, and larger farms should not be penalized for the economies of size they have achieved. An amendment to further limit a recipient's total farm program payments might be offered to the FY2003 agriculture appropriations bill on both the House and Senate floor. For more on this issue, see the CRS Electronic Briefing Book Page, *Commodity Program Payment Limits Under the 2002 Farm Bill*.

Crop Insurance

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

The House reported bill (H.R. 5263) provides $70.7 million for FY2003 RMA salaries and expenses, the only discretionary component of the federal crop insurance program. The Senate reported bill (S. 2801) provides $71.2 million. The House and Senate levels are slightly below the Administration request only because neither bill concurs with the Administration request to shift GSA rent expenses from a central account to individual agency accounts. The Administration request is $4 million below the FY2002 appropriation of $74.75 million. Most of the reduction in the FY2003 funding request is attributable to one-time costs in FY2002 for implementing the Agricultural Risk Protection Act (P.L. 106-224), which provided increased subsidies and made other enhancements to the crop insurance program.

For mandatory expenses of the crop insurance program (premium subsidy, program losses and reimbursements to private insurance companies), the Administration requests "such sums as are necessary" and estimates an FY2003 appropriation of $2.89 billion, which is virtually equal to the FY2002 estimate of $2.90 billion. H.R. 5263 and S. 2801 concur with the FY2003 request.

Annual spending on the crop insurance program is difficult to predict in advance and is dependent on weather and crop growing conditions. The crop insurance program received legislative enhancements in 2000 (P.L. 106-224) which have contributed to significantly higher farmer participation in the program. The Administration maintains that the increased participation has resulted in windfall profits for the private insurance companies. Hence, the budget request contains a legislative proposal to require private insurance companies to absorb more of the risk of the program by limiting their underwriting gains to 11.5% of retained premiums. Neither bill concurs with this proposal. Senate report language directs USDA to follow current procedures in the Standard Reinsurance Agreement between private companies and USDA before any risk-sharing changes are made.

For more background on crop insurance, see CRS Report RL30739, *Federal Crop Insurance and the Agriculture Risk Protection Act of 2000 (P.L. 106-224).*

Farm Service Agency

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

FSA Salaries and Expenses. This account funds the administrative expenses for program administration and other functions assigned to the FSA. These funds consist of appropriations and transfers from CCC export credit guarantees, from P.L. 480 loans, and from the various direct and guaranteed farm loan programs. All administrative funds used by FSA are consolidated into one account. For FY2003, the Administration requests an appropriation of $993.6 million for FSA salaries and expenses, compared with $939 million appropriated in FY2002. Most of the requested increase is attributable to increased pay costs and a lack of carryover funds from FY2002. (FY2002 funding was bolstered by a $29 million carryover from FY2001. No carryover is expected into FY2003.) The requested level for FY2003 does not reflect any new activities associated with the recently enacted 2002 farm bill (P.L. 107-171). The farm bill provides $50 million in new mandatory no-year funding for FSA salaries and expenses to administer new farm bill programs. This amount is expected to fall short of anticipated needs. Hence, the Administration is expected soon to request an additional $60 million in FSA funds for FY2003 for farm bill implementation.

The House reported bill (H.R. 5263) provides $977 million, $17 million less than the Administration request of $993.6 million. The Senate reported bill (S. 2801) provides $997.4 million, which is $4 million more than the Administration request. Neither bill concurs with the President's request to increase the FSA appropriation by $17 million over FY2002 to cover FSA rental payments to GSA, which are currently paid out of a central USDA account.

FSA Farm Loan Programs. Through FSA farm loan programs, USDA serves as a lender of last resort for family farmers unable to obtain credit from a commercial lender. USDA provides direct farm loans and also guarantees the timely repayment of principal and interest on qualified loans to farmers from commercial lenders. FSA farm loans are used to finance the purchase of farm real estate, help producers meet their operating expenses, and financially recover from natural disasters. Some of the loans are made at a subsidized interest rate. An appropriation is made to FSA each year to cover the federal cost of making direct and guaranteed loans, referred to as a loan subsidy. Loan subsidy is directly related to any interest rate subsidy provided by the government, as well as a projection of anticipated loan losses caused by farmer non-repayment of the loans.

For FY2003, the House reported bill (H.R. 5263) concurs with the Administration request for an appropriation of $212.2 million to subsidize the cost of total direct and guaranteed farm loans of $3.8 billion. The Senate reported bill (S. 2801) provides $243.8 million, $31.6 million above FY2002 and the FY2003 request, to support $4.065 billion in farm loans, or $263 million more in loans than the House bill and the Administration request. Most of the difference between the House and Senate funding levels is that the Senate bill provides $24 million more in loan subsidy than the House to support an additional $205 million in guaranteed subsidized farm operating loans.

FSA farm loan levels have been higher in recent years because an FY2000 supplemental act (P.L. 106-113) provided significant emergency funding for various USDA farm loan programs, from which balances were carried over into subsequent years. Supplemental funding has been provided in recent years for federal farm loans in response to low farm commodity prices, which have diminished the ability of farmers to secure commercial farm loans.

Agricultural Trade and Food Aid

The House reported bill (H.R. 5263) recommends budget authority of $1.491 billion in FY2003 for USDA's international activities that are subject to annual appropriations (P.L. 480 food aid, salaries and expenses of the Foreign Agricultural Service, and administrative expenses for managing export credit guarantee programs.) This level is $367 million greater than enacted in FY2002 and $41.5 million greater than requested by the President for FY2003. The Senate reported bill (S. 2801) appropriates $1.464 billion, $27 million less than in H.R. 5263, but $15 million above the President's request, and $340 million above FY2002. Almost all of the additional funding in both bills goes to international food aid programs.

Among its general provisions, H.R. 5263 limits funding for one of USDA's export subsidy programs, the Export Enhancement Program (EEP) for which the President requested $478 million, to not more than $28 million in FY2003. The Senate Committee bill does not limit EEP spending. Savings from the EEP program in the House bill were allocated to a variety of other USDA programs. Both House and Senate Committee actions imply a program level of around $6.0 billion for all of USDA's international activities–food aid, export credit guarantees, export market development, and export subsidies.[2]

The Administration's budget estimate of a program level of $6.45 billion for all USDA international activities for FY2003 was based on estimated spending of $478 million for EEP. The program levels for USDA's international activities were estimated at $6.4 billion in FY2002, and were $5.22 billion in FY2001. Increased budget authority requested for FY2003 reflects a decision by the Administration to phase out food aid that is dependent on surpluses and to pay for much of U.S. foreign

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[2] Program level is an estimate of the value of all goods and services provided through USDA's international activities. Program level exceeds budget authority because certain significant federal credit programs, such as export credit guarantees funded through the borrowing authority of the Commodity Credit Corporation (CCC), do not require annual appropriations. Only administrative expenses and loan subsidies, not the value of the loan or guarantee, require an appropriation. In addition, CCC funded activities, such as EEP, MAP, and FMDP, which are included in program level, do not require annual appropriations.

food aid with discretionary rather than mandatory spending. Although both bills recommend increases in budget authority for discretionary food aid programs, the Committee reports also stress the continuing importance of commodity assistance and the use of surplus commodities in U.S. food aid programs. The Senate committee report (S.Rept. 107-223), for example, expresses strong disagreement with Administration decisions to phase out food aid based on commodity surpluses.

FAS Salaries and Expenses. The Foreign Agricultural Service (FAS) administers USDA's international programs. The administration of P.L. 480 Food for Peace, however, is shared between USDA and the U.S. Agency for International Development (USAID). USDA is responsible for Title I of P.L. 480, which provides low-interest, long-term loans to developing countries to finance the purchase of U.S. food products, while USAID is responsible for Title II (commodity donations) and Title III (a bilateral food grant program). FAS (and the Farm Service Agency–FSA) administer the export credit guarantee programs as well. For salaries and expenses of FAS, H.R. 5263 provides budget authority of almost $130 million and S. 2801 provides $131.9 million, compared with the President's request of $131.6 million and the FY2002 enacted amount of $121.8 million. In addition, both bills recommend $4.1 million for administrative expenses of FAS and FSA in connection with the export credit programs.

Foreign Food Aid: Funding and Issues. Within the $1.491 billion of recommended budget authority requested for discretionary programs, H.R. 5263, as reported, provides $1.357 billion for P.L. 480 (Food for Peace) programs, which have been the main channel for U.S. foreign food aid and are the largest appropriated international USDA program. The House level is $358 million greater than the FY2002 enacted amount and $43 million greater than the President's FY2003 request. Compared to the budget request, H.R. 5263 increases Title II commodity donations by $15 million and Title I loans by $28 million.

Within the $1.464 billion of budget authority provided by S. 2801 for discretionary programs, $1.328 billion would go to P.L. 480 food aid, $29 million less than the House level. One difference is that H.R. 5263 provides more BA for Title II food aid than requested by the President, while S. 2801 provides the amount requested by the President. The budget request, as submitted, is estimated by USDA to support 3.7 million metric tons of P.L. 480 commodity assistance to developing countries in FY2003, about the same volume as provided in FY2002 under P.L. 480.

Despite the recommended increases in budget authority, the program level for all U.S. food aid under the Administration request would decline to $1.2 billion, compared with an estimated $1.61 billion in FY2002 and $1.66 billion in FY2001. The reduction in program level is due to the Administration's decision to curtail sharply its reliance on another food aid vehicle, Section 416(b) surplus commodity donations. Section 416 is funded through the borrowing authority of the Commodity Credit Corporation, and is therefore not subject to annual appropriations The Administration expects to use only about $50 million in Section 416 commodities (mostly surplus nonfat dry milk) in FY2003, compared with an estimated $360 million in Section 416 commodities in FY2002 and $634 million in FY2001.

Proposed reductions in Section 416 (which in past years have not necessarily been achieved) are rationalized by a recent Administration review of food aid that also recommended (and is in the budget) that all programs now run through private voluntary organizations (PVOs), cooperatives, and the World Food Program be placed in USAID, with USDA food aid activities confined to government-to-government programs. Consistent with this approach, the Administration shows no CCC funding in FY2003 for Food for Progress (FFP) which provides U.S. commodities to developing countries and emerging democracies. CCC funding of this program has averaged around $100 million annually in recent years. Any FFP activity would be limited to government-to-government programs under P.L. 480 Title I. Reauthorization of the FFP program in the 2002 farm bill (P.L. 107-701), with continued reliance on CCC funding, complicates the efforts of the Administration to phase out CCC-funded food aid programs.

The Administration's decisions to phase out Section 416(b) commodity donations and to limit the proportion of commodities that are monetized (i.e., sold) to finance projects have provoked controversy. Food aid providers, such as private voluntary organizations (PVOs) and cooperatives, agribusiness suppliers of commodities to the food aid programs, and Members of Congress have criticized the Administration's decisions on food aid. These groups welcome the increase in Title II commodity donations, but maintain that the net effect of the Administration's decision will be to reduce U.S. foreign food aid. Reflecting these views, the House Committee report (H.Rept. 107-623) endorses the use of commodities (and monetization) in U.S. food aid programs and points out that it "expects" the Administration to take its views into consideration in administering food aid programs. The Senate report (S.Rept. 107- 223) takes a similar position. While some food aid groups agree that food aid should not be based on the availability of surpluses (as is the case with Section 416(b), they maintain that substantially more funds for food aid than requested by the President or provided in the House or Senate bills are needed.

The use of commodity surpluses to augment U.S. food aid has been criticized by the European Union, Australia, and other agricultural exporting countries as an effort to circumvent U.S. World Trade Organization (WTO) export subsidy reduction commitments. These trading partners argue that much of U.S. food aid is being used to manage supplies rather than to meet emergency needs and that large food aid shipments impede sales of agricultural products by and between developing countries. The issue of food aid and international agricultural trading rules is being pursued by U.S. trading partners in the new round of multilateral trade negotiations launched at the end of 2001.

Mandatory Trade Programs. In addition to Section 416(b) and Food for Progress, many other USDA international programs are not subject to direct annual appropriations, and instead are funded through CCC borrowing authority. About two-thirds of the proposed FY2003 program level, $4.058 billion, would be for CCC export credit programs, which guarantee payment for commercial financing of U.S. agricultural exports. The export value of credit guarantees historically has not reached the levels anticipated in budget requests due to actual market conditions and credit needs.

U.S. export credit programs have also been raised as an issue in WTO agricultural trade negotiations. The EU and other trading partners charge that the program has a subsidy element (although it is much less than the subsidy represented by the EU's export restitution program) and gives the U.S. an unfair competitive advantage in exporting certain agricultural commodities. The U.S. has been engaged in negotiations on export credit programs in the Organization for Economic Cooperation and Development (OECD), but these negotiations did not succeed and have been suspended. Any changes in the U.S. program that might result from trade negotiations would have to withstand scrutiny by the House and Senate Agriculture Committees which strongly support the programs as they are presently constituted.

For other CCC-funded programs, the Administration proposes $90 million for the market access program (MAP) and $28 million for the foreign market development cooperator program (FMDP), the same as current year funding. Both programs – which have been expanded significantly by the 2002 farm bill (P.L. 107-171) – assist trade associations and others to develop overseas markets for U.S. farm products. For one CCC-funded direct export subsidy program, the Export Enhancement Program (EEP), H.R. 5263 limits spending to $28 million. In contrast, the Administration had proposed $478 million for EEP, the maximum permitted by the 1996 farm law and world trade obligations. For its proposed reductions from the authorized level, the House bill scored savings of $450 million. Savings from EEP reductions were reallocated in the House bill to a variety of other USDA programs (although only about $1 million annually has been used in recent years). In the past, the Congressional Budget Office has scored no savings for proposed cuts to EEP funding, since actual spending in the program has been negligible. However, the House Budget Committee has chosen to use the Office of Management and Budget (OMB) score which allows dollar-for-dollar savings for cuts from the authorized EEP level.

For the other export subsidy program, the Dairy Export Incentive Program (DEIP), the President's budget anticipates that $63 million would be provided also reflecting maximum permitted levels under trade obligations.

No additional funding is in the FY2003 budget request for the Global Food for Education Initiative (GFEI), a pilot school and child nutrition program begun by the Clinton Administration and expected to cost an estimated $230 million. USDA said a decision on continuation will hinge on the results of an evaluation. However, the new farm bill (P.L. 107-171) mandates $100 million of CCC funding to continue this program in FY2003 and "such sums as necessary" in fiscal years 2004-2007. Finally, the Administration proposes that all costs of the "cargo preference" law, which requires that 75% of all food aid be shipped on U.S. flag vessels when feasible, would be borne by USDA; currently, the U.S. Maritime Administration reimburses USDA for one-third of those costs.

Agricultural Exports to Cuba. Members who support the sale of U.S. agricultural products to Cuba might offer amendments to relax specific prohibitions included in current law, when the FY2003 agriculture appropriations bill reaches the House and Senate floor. They seek to repeal the permanent prohibition on the use of private U.S. financing to facilitate agricultural exports to Cuba, and to repeal the statutory ban on any ship that visits Cuba from calling on an American port for 180 days. Supporters of these changes view these restrictions as complicating and impeding trade that is now otherwise permitted. Currently, agricultural sales to Cuba are permitted only on a cash basis or if financed by third country banks. Under the statutory exception made to the U.S. embargo on Cuba, the Cuban government since November 2001 has made $107 million in cash purchases of U.S. agricultural commodities and food products. Despite the shipping ban provision, the Department of Treasury has authority to make exceptions, and has issued licenses for ships to enter U.S. ports to load agricultural products for transport to Cuba.

Both H.R. 5263 and S. 2801, as reported, do not include any Cuba trade provisions. Separately, the House on July 23 adopted by voice vote an amendment to the FY2003 Treasury-Postal Operations appropriations bill (H.R. 5120) prohibiting the use of funds to implement U.S. sanctions on private commercial sales of agricultural commodities and medical products to Cuba. President Bush has stated that he would veto any legislation that relaxes the U.S. embargo on Cuba in any way, including the private financing on food sales prohibition, until Cuban reforms occur. For more information, see the CRS electronic briefing book page, Economic Sanctions and Agricultural Exports.

For more information on agricultural trade and food aid, see CRS Issue Brief IB98006, *Agricultural Export and Food Aid Programs* and CRS Issue Brief IB10077, *Agricultural Trade Issues in the 107th Congress.*

Natural Resources and Environment

The natural resources and environment mission area within USDA is implemented through the programs of the Natural Resources Conservation Service (NRCS), the Farm Service Agency (FSA), and the Forest Service. (Funding for the Forest Service is provided in the annual Interior appropriations bill, and is not discussed further.) Conservation spending combines discretionary spending, requested by the Administration at $1.05 billion for NRCS and FSA in FY2003, and mandatory funding, currently estimated at just over $3.0 billion for FY2003, according to Congressional Budget Office (CBO) estimates which includes $1 billion in new spending authorized by the recently enacted 2002 farm bill (P.L. 107-171). The new farm bill provides legislative authority, including funding levels, for many of the mandatory conservation programs through FY2007. Under this law, overall mandatory conservation funding is forecast by CBO to grow by about 80%, increasing by a total of $9.2 billion through FY2007 (and $17.1 billion through FY2011, assuming no changes in policy).

Discretionary Programs. The House Appropriations Committee-reported bill (H.R. 5263) provides $1.02 billion for all discretionary conservation programs within USDA, $29 million below the Administration request of $1.049 billion and $36 million below the FY2002 appropriation of $1.056 billion, which includes $94 million of supplemental spending provided for watershed and flood prevention in P.L.107-206. The Senate Appropriations Committee-reported bill (S. 2801) provides $1.044 billion, which is $24 million above the House level. Much of the difference between the congressional levels and the request is a $48.7 million request for Emergency Conservation Program that is not included in either bill.

The largest discretionary conservation program is Conservation Operations (CO), most of which supports technical assistance. The Administration recommends an appropriation of $841 million for CO, up $62 million or 8%, compared with the FY2002 appropriation of $779 million. Of this increase, $48 million would pay for technical assistance in helping animal feeding operations comply with clean water regulations. H.R. 2563 provides a CO funding level of $843.6 million for FY2003, which is $64.6 million above FY2002, and $2 million above the Administration's request. S. 2801 recommends $847 million, which is $67 million above FY2002 and $6 million above the request. The House bill requires NRCS to report on funding allocations to states within 45 days in response to a concern that the agency is reducing state allocations in proportion to congressional earmarks rather than treating earmarks as additions to each state's allocation.

Both committee reports identify more than 50 earmarks, many of which had received similar treatment in earlier years. Very few, if any, projects or topics receive identical earmarks in both bills. The Senate bill specifies that all FY2002 earmarks are not funded in FY2003 unless specified. Some earmarks are for specific projects or sites and others are for activities. The largest earmark is for the grazing lands conservation initiative; H.R. 5263 provides $21.5 million and S. 2801 provides $23.5 million, even though the recently enacted 2002 farm bill (P.L. 107-171) authorized appropriations of $60 million annually. H.R. 5263 provides $3 million for animal waste management pilot projects, while S. 2801 specifies several animal waste management projects for funding. Both bills encourage NRCS to work with the National Pork Producers Council on watershed management and demonstration projects; H.R. 5263 identifies other partners and specifies work at a Texas site. Both bills identify partners to be involved in specific projects and activities.

The Administration requests no appropriation in FY2003 for its three ongoing watershed programs: Watershed and Flood Prevention Operations ($200 million appropriated in FY2002, including a $94 million supplemental appropriation provided in P.L. 107-206), Watershed Surveys and Planning ($11 million in FY2002) and Watershed Rehabilitation Program ($10 million in FY2002). Instead, it requests $110 million for Emergency Watershed Protection, which is the average of annual spending over the past 10 years, so that USDA would have funds on hand to provide immediate assistance after a natural disaster. (Currently, the emergency programs typically are funded in supplemental acts after a disaster strikes, so assistance may not be available for several months or longer after the damage occurs.

Neither bill concurs with the Administration request to consolidate accounts into the Emergency Watershed Protection account. Instead, H.R. 5263 recommends $110 million for Watershed and Flood Prevention Operations (with numerous earmarks), $11.2 million for Watershed Surveys and Planning, and no funding for Emergency Watershed Protection, while S. 2801 recommends $105 million for Watershed and Flood Prevention Operations (with numerous earmarks), $11.0 million for Watershed Surveys and Planning, $30 million for Watershed Rehabilitation, and no funding for Emergency Watershed Protection. The Senate bill prohibits the use of mandatory funds from the CCC to carry out the rehabilitation program. The House bill limits spending for technical assistance to $45.5 million of the total and spending for activities related to protecting threatened and endangered species to $1 million, while S. 2801 has no such limits.

The Administration also requests no funding in FY2003 for the Forestry Incentives Program, which is terminated by the 2002 farm bill. (It was funded at $7 million in FY2002). The Emergency Conservation Program, an FSA-funded program which helps producers repair damaged farmland following a disaster, is usually funded through emergency supplemental appropriations. However, the Administration assumes that FY2003 spending will be the average of the past 10 years, $48.7 million, and requests the availability of this level of funding in the regular FY2003 appropriations, which it says would enable it to more rapidly respond to emergencies. The Administration requests almost level funding for the Resource Conservation and Development Program, to support activities in designated RC&D districts, at $49.1 million. Both bills concur by not providing any funding for the Forestry Incentive Program. S. 2801 recognizes the creation of the new similar Forest Land Enhancement Program in the 2002 farm bill, and notes that it will receive a total of $100 million in mandatory funding through FY2007. But they both differ from the request by not funding the Emergency Conservation Program and by providing an increase for the Resource Conservation and Development Program; the House bill increase is more than $7 million, to $55.1 million, while the Senate bill increase is more than $1 million, to $50.4 million.

Mandatory Programs. The Administration's FY2003 request was submitted prior to enactment of the 2002 farm bill, which reauthorized many conservation programs slated to expire at the end of FY2002. Although the Administration stated its support for increased mandatory conservation funding in its comments about the 2002 farm bill, its budget request for FY2003 did not include any of the anticipated increases, except that it requested funding of $200 million for the Environmental Quality Incentives Program (EQIP) in FY2003. Most of the other mandatory conservation programs had either reached their authorized ceilings (set in dollars or acres), or had been unfunded because of limitations enacted each year in appropriations legislation.

The largest mandatory conservation program is the Conservation Reserve Program (CRP), which pays farmers to retire from production highly erodible and environmentally sensitive land. Late last year, USDA reported that there were about 35.1 million acres enrolled in the CRP, almost 10% of the country's cropland. It was approaching its ceiling of 36.4 million acres, which was raised to 39.2 million acres by the 2002 farm bill. The budget assumes FY2003 outlays of $1.856 billion to fund existing and new contracts. Most other mandatory funding programs will grow rapidly, as they were reauthorized by the 2002 farm bill. Examples include the Wetlands Reserve Program, which will grow from 1.075 million acres (by 250,000 acres per year) to 2.275 million acres and the Environmental Quality Incentives Program, which will grow from $200 million annually to $1.3 billion annually, by the end of FY2007.

General provisions in H.R. 5263, as reported, limit EQIP funding to $695 million (a savings of $5 million from the authorized level) and limit WRP enrollment to 245,833 acres in Section 745 (a reduction of 4,177 acres from the authorized level, or $5 million in savings). H.R. 5263 also limits expenditures for a new mandatory program, the Conservation Security Program, to a single state, Iowa, making it a pilot program (savings of $3 million in FY2003). This program will provide assistance to farmers for the first time in FY2003 to install conservation practices on land in production. The Senate Committee bill places one limit on mandatory funding, prohibiting such funding for the Small Watershed Rehabilitation Program, as noted above.

For more information on USDA conservation issues, see CRS Issue Brief IB96030, *Soil and Water Conservation Issues*, and for more information on the farm bill conservation provisions, see CRS Report RL31486, *Resource Conservation Title of the 2002 Farm Bill: A Comparison of New Law with Bills Passed by the House and Senate, and Prior Law*.

Agricultural Research, Education, and Economics

The Senate reported bill (S. 2801) provides $2.542 billion for USDA's four research, education, and economics (REE) agencies in FY2003, which is $171 million above the House reported (H.R. 5263) level of $2.371 billion. Both bills are above the Administration request of $2.229 billion – the House by $142 million and the Senate by $313 million. The Senate level is $100 million above the FY2002 enacted level (including supplementals), while the House level is $71 million below the aggregate FY2002 appropriations.

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 National Agricultural Library merged with ARS in the 1994 USDA reorganization. The Cooperative State Research, Education, and Extension Service (CSREES) is the agency through which USDA sends federal funds to land grant Colleges of Agriculture for state-level research, education and extension programs. The Economic Research Service (ERS) provides economic analysis of agriculture issues using its databases as well as data collected by the National Agricultural Statistics Service (NASS). ARS, CSREES, ERS, and NASS are under the Undersecretary for Research, Education, and Economics.

Agricultural Research Service (ARS). S. 2801 provides $1.16 billion for ARS. Of that amount, $1.1 billion would support ARS's research programs, and $105 million would support modernizing and building ARS facilities. The Senate measure represents virtually level funding with FY2002's $1.2 billion regular appropriation, with an 8.5% increase in the research area and a 12% decrease in facilities funding. If one takes into consideration the combined supplemental funding of $138 million that the agency received in two FY2002 supplemental acts (P.L. 107-117 and P.L. 107-206), the Senate measure provides level funding for ARS research, but a greater decrease in construction funds.[3] The House committee bill (H.R. 5263)

[3] P.L. 107-117 provided $50 million to ARS for constructing a high security bio-containment facility at its National Animal Disease Center in Ames, Iowa, $23 million for upgrading its foreign animal disease research lab on Plum Island, New York, and $40 million for bioterrorism research. P.L. 107-206 provided an additional $25 million to Ames, Iowa. Also, included in P.L. 107-206 was $8 million for research on plant and animal

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provides $1.1 billion for ARS – $1 billion for research programs and $95.3 million for facilities. For all of ARS, H.R. 5263 is $64 million below the level provided in S. 2801. The President's budget requested $971.4 million for ARS research and $16.6 million for construction projects for FY2003.

For FY2003, the Administration proposed reducing spending in certain core research areas by $15 million and closing certain labs in order to increase funding for ARS research in selected high priority areas. As in past years, neither the House nor the Senate Committee bill concurs with these proposals; both measures maintain funding at FY2002 levels. H.R. 5263 contains language in its report blocking the expenditure of any funds to conduct a review of the quality and relevance of ARS research, stating that the National Academy of Science is due to release a similar study sometime in 2002. S. 2801 contains no comparable language.

Congressional Response to Bioterrorism. The FY2002 emergency supplemental appropriations act for antiterrorism activities (P.L. 107-206) appropriated an additional $18 million for the Office of the Secretary to transfer to ARS, APHIS, AMS, and/or FSIS for counter-terrorism activities, pending an official budget request from the Administration, which the President has stated he will not provide. The act also provided ARS an additional $8 million for research on: (1) mad cow disease and chronic wasting disease, (2) plant genome sequencing, and (3) cattle genome sequencing, none of which will be provided since the President is not expected to provide a request. An emergency appropriation of $25 million for upgrading the animal disease research lab in Ames, Iowa will be provided, since this provision is not contingent upon an emergency request from the President.

Separately, the recently enacted Public Health Security and Bioterrorism Response Act of 2002 (P.L. 107-188) authorizes appropriations of $180 million for ARS research labs in Plum Island, NY and Ames, IA in the current fiscal year and "such sums as are necessary" for FY2003 through FY2006. The act also authorizes $190 million for FY2003 and such sums as are necessary for future years for the Secretary to use: (1) to support ARS, APHIS, Forest Service, and federal-state cooperative research on bioterrorism prevention, preparedness, and response; (2) to strengthen coordination with U.S. intelligence agencies; and (3) to develop an early warning surveillance system for agricultural bioterrorism.

Cooperative State Research, Education, and Extension Service (CSREES). S. 2801, as reported, provides $1.180 billion for CSREES to use to support research and extension programs at the land grant colleges of agriculture. This amount is $118 million higher than the $1.062 million provided by H.R. 5263, $156 million higher than the FY2002 appropriation of $1.024 million, and $163 million higher than the Administration's request of $1.017 million.

S. 2801 provides increases in the formula funds for: (1) core research and extension programs at 1862 land grant institutions: $185.5 million (+ $5.4 million

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[3] (...continued)
diseases. However, the $8 million was contingent upon a Presidential request and emergency designation, which the President has stated he will not provide.

from FY2002 and the President's request; + $3.5 million from the House bill); (2) forestry research: $22.5 million (+ $.07 million from FY2002 and the budget request; - $.05 million from H.R. 5263); (3) research at 1890 (historically black) land grant colleges: $35.6 million (+$1 million from FY2002 and the budget request; (-$0.4 million compared with H.R. 5263; (4) extension at 1890 colleges: $32.1 million (+$1 million from FY2002 and the budget request; virtually even with H.R. 5263); and (5) extension at 1862 institutions : $284.2 million (+$8.3 million from FY2002 and the budget request; +$7.2 million from H.R. 5263).

The House and Senate bills both maintain virtually all of the Special Research (earmarked) grants that the Administration had proposed for termination. H.R. 5263 provides $102.8 million; S. 2801 provides $103.6 million, compared with $97 million in FY2002. Both bills also continue funding for an additional group of earmarked grants under the "Federal Administration" portion of the CSREES budget, providing $27.1 million for those research projects ($21.7 million in FY2002; $7.8 million in the budget request). Finally, S. 2801 provides $164 million for the National Research Initiative Competitive Research Grants (NRI) program, compared with $130 million in the House bill. The NRI is funded at $120 million in FY2002, and the Administration had proposed doubling that amount for FY2003.

Both bills are in agreement with the FY2003 budget request in blocking the expenditure of $120 million in mandatory funds for the Initiative for Future Agriculture and Food Systems that was created in separate legislation in 1998. The 2002 farm bill (P.L. 107-171), the recently enacted law that will guide U.S. farm policy through 2007, reauthorizes the Initiative and gradually increases its funding from $120 million to $200 million annually in FY2006-07.

Congressional Response to Bioterrorism. The Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (P.L. 107-188) authorizes such sums as are necessary for (1) grants not to exceed $50,000 to land grant colleges of agriculture to review security standards and practices at their facilities; and (2) grants not to exceed $100,000 to agricultural producer groups to develop and implement on-farm biosecurity education programs.

The recently enacted FY2002 supplemental appropriations act (P.L. 107-206) provided an additional $6 million to enhance extension activities related to homeland security in rural areas, including expansion of the Extension Disaster Education Network to serve as a rural first-response program. However, these funds were contingent upon a Presidential request and a budget emergency declaration, which the President has stated he will not provide.

Economic Research Service (ERS) and National Agricultural Statistics Service (NASS). S. 2801 provides $65.7 million for ERS, $7.6 million less than H.R. 5263, $1.5 million less than FY2002, and $13.5 million less than the Administration request. Most of the difference between the House and Senate levels and the request is explained by the Administration's request to transfer funds from a central account to each individual agency to cover rent paid by each agency to GSA. For NASS, S. 2801 provides $141.7 million, which is $3.8 million more than provided by H.R. 5263, $28 million more than the FY2002 appropriation, but $2 million less than the budget request. Both bills designate roughly $41 million for

NASS's to use to carry out the 2002 Census of Agriculture, as the Administration requested.

Food Safety and Inspection

USDA's Food Safety and Inspection Service (FSIS) is responsible for the mandatory inspection of meat, poultry, and processed egg products to insure their safety, wholesomeness, and proper labeling. The House Appropriations Committee bill (H.R. 5263) provides $755.8 million for FSIS in FY2003, compared with $766.6 million in the Senate Appropriations Committee-reported bill (S. 2801) and a total FY2002 appropriation of $715.6 million including a supplemental. Both bills assume that FSIS will have access to an additional $101 million in user fee income to support its inspection activities. Neither bill concurs with the President's request for an additional $7.3 million in appropriations to accommodate a one-time shift of funds to cover rental payments to GSA. S. 2801 includes $5 million specifically for FSIS to hire at least 50 additional personnel to enforce the Humane Methods of Slaughter Act. Senate committee members also added language calling for more stringent monitoring of foreign establishments exporting meat and poultry to the United States, and for a response to the Committee within 60 days to an upcoming GAO report that is critical of FSIS's inspection standards.

The Administration's budget request proposed to revise the current user fee system to reduce the rates charged for overtime inspection and instead increase the industry's reimbursement to the government for inspection on second and third shifts. The budget also included a proposal to assess processing establishments an annual licensing fee. Both bills are silent on these issues.

The recently enacted Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (P.L. 107-188) authorizes a $15 million appropriation in FY2002, and such sums as necessary thereafter, for enhancing FSIS's ability to inspect domestic and imported meat and poultry. Separately, the conference agreement on the FY2002 supplemental appropriations bill (H.R. 4775) provides $13 million to FSIS to cover the costs of reviewing foreign countries' meat and poultry inspection regimes, visiting additional foreign plants specifically to address post-September 11 concerns, and purchasing information technology systems so that FSIS can improve its communications with other agencies to track imported products and assess their risk.

Marketing and Regulatory Programs

USDA's marketing and regulatory programs (MRP) are 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). The stated mission of these programs is to "expand domestic and international marketing of U.S. agricultural products and to protect the health and care of animals and plants, by improving market competitiveness and the farm economy for the overall benefit of both consumers and American agriculture." For FY2003, the Administration requested $879.9 million for USDA's three marketing and regulatory agencies compared with a total FY2002 appropriation of

$867.3 million (included emergency supplemental appropriations of $119.1 million, intended to protect the food supply against agricultural terrorist threats). The House Appropriations Committee-reported bill (H.R. 5263) provides $886.6 million for MRP, or $19.3 million over FY2002 regular and supplemental appropriations. The Senate Appropriation Committee-reported bill (S. 2801) provides $886.5 million.

Animal and Plant Health Inspection Service. The largest appropriation for marketing and regulatory programs goes to USDA's Animal and Plant Health Inspection Service (APHIS), the agency responsible for protecting U.S. agriculture from foreign pests and diseases. The Administration requested an FY2003 appropriation of $767.1 million for APHIS, compared with a total FY2002 appropriation of $746.8 million (including supplemental appropriations of $119.1 million.)[4] The Administration's proposed increase in total funding reflects the agency's increased responsibilities to protect against acts of terrorism. H.R. 5263 and S. 2801 provide nearly identical amounts of $749 million, which are $2.4 million above FY2002, but $26.2 million below the FY2003 Administration request. Most of the shortfall from the Administration request is attributed to the requested one-time shift in funds ($26.7 million) to cover GSA rental costs, which is not included in the Committee proposals. Both bills also provide for increases in APHIS' salaries and expenses for stepped-up border inspections, and for the Animal Health Monitoring and Surveillance (AHM&M) activities. In addition, both bills include increased funding for the boll weevil, emerging plant pests, Johne's disease, and Wildlife Services programs.

The President also requested increased appropriations to fund new emergency pest programs, such as the current "chronic wasting disease" outbreak in deer and elk, and for controlling other invasive species. In recent times, these programs have been funded mostly under the Secretary's emergency authorities through the Commodity Credit Corporation (CCC). Similar requests for additional appropriations in lieu of CCC funds were advanced by the previous Administration. The Administration is concerned about the rising cost of emergency pest outbreaks ($235 million in FY2001), and expects to seek public comment on ways to share these costs with the states and the private sector. The Appropriations Committees, as Congress routinely has done in the past, have rejected this request, and instead encourage USDA to continue use of the CCC funding mechanism to address emergency needs.

Proposed Department of Homeland Security. Recently, two Congressional measures (H.R. 5005 and S. 2452), and the Bush Administration proposed the transfer of APHIS functions to a new Department of Homeland Security (DHS). (See CRS Report RL31466, *Homeland Security Department: U.S. Department of Agriculture Issues*). Although enactment of these measures could impact future appropriation measures, the current appropriations' process is proceeding as though APHIS will remain within USDA. A general provision in H.R. 5263 forbids money transfers between USDA and other departments (presumably

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[4] An additional emergency supplemental appropriation of $33 million for APHIS' salaries and expenses is provided in the conference report to H.R. 4775, which has passed both houses and now awaits presidential action.

referring to DHS) unless authorized by appropriators. APHIS quarantine inspection functions are largely funded through Agricultural Quarantine Inspection (AQI) user fees[5], and to a lesser extent from annual appropriations. In 2001, APHIS' AQI account was $286 million ($238 million from user fees + $48 million from appropriations). APHIS is currently evaluating the complete budgetary impact of Senate and House proposals which could transfer up to 3,200 full-time employees to the new department.

Agricultural Marketing Service. AMS is responsible for promoting U.S. agricultural products in domestic and international markets, and for facilitating the marketing and distribution of agricultural products. The Administration requested FY2003 appropriations of $91.7 million for AMS, compared with $86.8 million in FY2002. These levels include Section 32 funds, and payments to states and territories. Not included in the appropriated level are $190 million in collected user fees. The President's request included funding for expanding global marketing opportunities for agricultural commodities and for improving the Federal Seed program which monitors and controls seed labeling for domestic and foreign sales. H.R. 5263 provides $91.96 million for AMS, which is $5.2 million over FY2002 levels, and $0.1 million over the Administration's request. S. 2801 provides $92.1 million, a slightly higher level than the House. Included in the committee reports are provisions for increased funding of the Pesticide and Microbiological Data programs. The Senate, in addition, increases funding for implementing the Mandatory Price Reporting Act of 1999 (P.L. 106-78).

Grain Inspection, Packers, and Stockyards Administration. GIPSA establishes the official U.S. standards, inspection and grading for grain and other commodities, and ensures fair-trading practices. GIPSA has also been working to improve monitoring of livestock markets, where concentration has raised concerns about decreasing competition. The Administration requested $12.2 million for GIPSA in FY2003, down $20.9 million from the $33.1 million provided in FY2002. To cover the shortfall, the Administration had included a proposed increase of $29 million in new user fees, which if enacted would be used to fund Packers and Stockyards Act inspections, and grain standard testing activities. Similar requests for new user fees by the Clinton Administration were not adopted by Congress. H.R. 5263 and S. 2801 increase GIPSA funding to $44.7 million, an increase of $11.6 million over FY2002. The House bill directs the Secretary to conduct a 2-year study on packer ownership of livestock ($4.5 million).

Proposed Livestock Competition Amendments. Producer groups and policymakers are interested in changing the structure and business methods of the livestock industry in an attempt to make livestock producers more competitive. Issues include concern over the consolidation of production and processing into fewer and larger operations, increased vertical integration (i.e., ownership or increased control of more than one phase of production and marketing by a single

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[5] AQI user fees are authorized under the 1990 Farm Bill (§ 2509(a) of the Food, Agriculture, Conservation, & Trade Act (P.L. 101-624), which allows APHIS to charge for AQI activities at ports of entry in order to cover its costs. Collected AQI user fees remain available to the Secretary until expended without fiscal year limitation.

firm), and the gradual shift from mainly open cash markets to private contracts or other marketing agreements between buyers and sellers. Livestock market issues were addressed during the debate of the recently enacted 2002 farm bill (P.L. 107-171). Certain key issues were not included in the final legislation. Hence, these issues might resurface as floor amendments to the FY2003 agriculture appropriations bill.

The Senate-passed farm bill (S. 1731) contained a provision that would have banned packer ownership or significant control of livestock, with an exemption for producer-owned cooperatives and small, producer-owned packers. The proposed ban was dropped in conference with House conferees generally opposed, but several members have considered proposing a similar ban as a floor amendment to H.R. 5263 and S. 2801. Supporters of the ban believe it will limit packers' ability to manipulate the market, and would improve farmers' access to livestock markets. They are concerned about the pace of vertical integration in the livestock industry and believe the ban is a way to stop or slow down vertical integration. Opponents of the ban argued it could create turmoil in the industry as packers and producers have to undo relationships built over time, and would reverse many of the production efficiency gains that had come about through closer packer-producer alliances.

A separate proposal that also might be offered as an amendment to H.R. 5263 or S. 2801 would require packers to increase the percentage of livestock they buy on the spot market. Specifically, packers would have to purchase on the spot market at least 5% of their slaughter needs by 2004, and at least 25% by 2008.

For more information, see CRS Issue Brief IB10063, *Animal Agriculture Issues in the 107th Congress*.

Rural Development

USDA's rural development mission is to enhance rural communities by targeting financial and technical resources in areas of greatest need. Three agencies, established by the Agricultural Reorganization Act of 1994 (P.L.103-354), are responsible for the mission area: the Rural Housing Service (RHS), the Rural Business-Cooperative Service (RBS), and the Rural Utilities Service (RUS). An Office of Community Development provides community development support through Rural Development's field offices. The mission area also administers the rural portion of the Empowerment Zones and Enterprise Communities Initiative and the National Rural Development Partnership.

The Senate Appropriations Committee-reported bill (S. 2801) recommends $2.745 billion in budget authority to support a $9.857 billion loan authorization level for rural economic and community development programs in FY2003. This is $175 million more than was enacted for FY2002 and $77 million more than provided by the House Appropriations Committee-reported bill (H.R. 5263). It is also $158 million more than requested. Funding in the House and Senate bills supports a loan authorization level of $9.68 billion and $9.86 billion, respectively, in direct and guaranteed rural development loans, both of which are well above the Administration request for $7.2 billion in loan authorization.

Rural Community Advancement Program (RCAP). The RCAP, authorized by the 1996 farm bill (P.L. 104-127), consolidates funding for 13 rural development loan and grant programs into three accounts: Community Facilities, Rural Utilities, and Business and Cooperative Services. RCAP was designed to provide greater flexibility in targeting financial assistance to local needs and permits a portion of the various accounts' funds to be shifted from one funding stream to another. S. 2801 provides $867.2 million in budget authority for the three RCAP accounts, $83 million less than the $950 million provided in H.R. 5263, and $60.6 million more than enacted for FY2002.

S. 2801 provides funding of $97.6 million for the Community Facilities account, over twice the level recommended by H.R. 5263; $682.8 million for the Rural Utilities account; and $86.8 million for the Rural Business Services account. As with the House bill, most of the RCAP authorization in S. 2801 would support water and waste disposal grants in the Rural Utilities account, although at $132 million less than in H.R. 5263.

Both Senate and House bill language earmarks funding for water and waste disposal programs in Alaskan native villages, Federally Recognized Native American Tribes, and the *Colonias*. Senate bill language also designates $10 million to the Rural Community Development Initiative, $4 million of which is provided to a demonstration program for Replicating and Creating Rural Cooperative Home Based Health Care and $6 million for developing capacity for private, non-profit organizations to improve housing, community facilities, and economic development projects for low-income rural communities. The Senate bill designates $30 million of RCAP funding to communities facing extremely high energy costs, and $25 million for grants to facilities in rural communities with extreme unemployment and economic distress. Both bills provide $37.6 million to empowerment zones and enterprise communities designated by the Secretary as Rural Economic Area Partnership Zones (REAP). Most of the latter's budget authority is for rural utility programs.

The FY2002 supplemental appropriations act (P.L. 107-206) provided an additional $20 million in emergency spending to RCAP's rural utilities account. Up to $5 million of this supplemental funding would have been provided to conduct a national assessment of the vulnerability of rural water systems to terrorist/criminal attack. However, this funding is available only to the extent an official budget request that includes designation of the entire amount of the request as an emergency requirement is transmitted by the President to the Congress. The President has stated he will not request the contingent funds provided in P.L. 107-206.

Rural Housing Service. S. 2801 provides $1.589 billion for the RHS in FY2003 to support a total rural housing loan authorization level of $3.932 billion. This loan authorization amount is $13 more than in H.R. 5263 and is $115.3 more than enacted for FY2002. The Senate bill recommends $282.5 million in housing loan subsidies, $21 million more than the House bill, and $32 million more than Administration requested loan subsidies.

The Senate bill rejects the Administration's request that there be no new construction of Section 515 rental housing for low-income rural residents. The

Administration had requested no new construction until the Department completes a review of Section 515 multi-family housing. S. 2801 recommends that $50 million be made available for new construction, $50 million for repair and rehabilitation, with $20 million to be used for equity loans. This is a total of $60 million more than requested. The Senate also recommends $28 million in direct loan subsidies for Section 515 rental housing, the same as requested. The House bill provides $26 million more for Section 515 loan subsidies.

S. 2801 recommends $17 million for farm labor housing grants, the same as requested and $3 million less than H.R. 5263. For the Rural Housing Assistance Grants, the Senate recommends $47.5 million, $5 million more than the House bill provides. Both House and Senate bills recommend $35 million for mutual and self-help housing grants.

The Senate committee report rejects a Department request for $2 million to do an independent study of cost efficiencies in delivery of multi-family housing, instead providing $1 million to conduct a study of capital need as recommended by GAO. Under a general provision, the Senate bill also earmarks $4 million under the Rural Housing Assistance grant account for a demonstration housing program for agricultural processing workers in Wisconsin.

Rural Utilities Service. S. 2801 recommends $108 million in budget authority to support a loan level of $5.87 billion for rural utility programs. The Senate budget authority level for RUS programs is $8 million more than the House level, $23.3 million more than the Administration's request, and roughly equal to the enacted level in FY2002. Almost all loan authorization ($5.87 billion) is designated for the rural electrification and telecommunications account. Part of this loan authorization includes $1 billion for guaranteed underwriting of a cushion of credit payments under Section 313A of the Rural Electrification Act of 1936. (*7 U.S.C. 940(c)*). Loan authorization for the account is nearly $500 million more than enacted in FY2002 and $2.6 billion more than requested. It is also $800 million more loan authority than in the House provision.

For the Rural Telephone Bank (RTB), both the House and Senate bills recommend a loan level of $174.6 million. There was no Administration request. In furtherance of the privatization of the RTB, both bills include the same provision from FY2002 to limit the retirement of Class A stock to 5%.

In other RUS programs, S. 2801 provides loan subsidies and grants of $51.9 million for the Distance Learning and Telemedicine program. This is $2 million more than enacted in FY2002 and $7 million more than in H.R. 5263. The loan authorization level for the program is authorized at $129.5 million, the same as requested, but $251 million less than recommended by the House bill. Authorization of $2 million in grants is also recommended for the Rural Teleworks Program. Both bills recommend no funding for the Local Television Loan Guarantee program, whose loan level was authorized at $258 million in FY2002. Both bills also recommend no authorization for direct loans. Through a $20 million rescission, the FY2002 supplemental appropriations act (P.L. 107-206) provides $8 million in additional funding for the Local Television Loan Guarantee Program account, to remain available until expended. Direct authorization of $80 million for local television broadcast loan guarantees is also included in of the recently enacted farm bill (P.L.107-171).

Rural Business-Cooperative Service. The House and Senate bills provide nearly identical amounts for the RBS accounts to support rural business development and expansion – $50.658 million in H.R. 5263 and $50.758 million in S. 2801, which are about $15 million more than the Administration request. The Senate bill also earmarks $5 million of direct loan subsidies to Federally Recognized Native American Tribes and Mississippi Delta Region counties.

Within the totals, both bills provide $14.97 million for the Empowerment Zone/Enterprise Community Initiative. No funding for the program was requested. Funding for Rural Cooperative Development Grants is $9 million in both bills, an increase of $1.25 million above FY2002 and the same as requested by the Administration. The Senate Committee also designates $2.5 million of this grant funding to cooperative agreements for the Appropriate Technology Transfer Program.

Other Provisions. S. 2801 makes two general provisions prohibiting the expenditure of any funds to carry out the following programs of the recently enacted 2002 farm bill (P.L.107-171): (1) the Rural Strategic Investment Program (*Section 6030*) and (2) the Rural Firefighters and Emergency Personnel Training Program (*Section 6405*). The Senate report language further recommends reducing budget authority to $50 million from $150 million for ethanol plant development (*Section 9010).* Finally, the Senate Committee recommends $2 million for the National Rural Development Partnership (NRDP). The House bill does not affect funding levels for any mandatory rural development programs authorized by the farm bill.

For additional information on USDA rural development programs, see "Rural Development", CRS Electronic Briefing Book page.

Food and Nutrition

For FY2003, the Administration requests an appropriation of $41.87 billion for all USDA food and nutrition programs, an increase of about $4 billion above the FY2002 appropriation. The House Appropriations Committee-reported bill (H.R. 5263) provides $41.97 billion for these programs, which is about $100 million more than the Administration request. The Senate Appropriations Committee-reported bill (S. 2801) provides $41.93 billion; $84 million less than the House level. These programs provide federal funding and commodities to states for food assistance to children in schools and other children's facilities, and for low-income individuals and families.

The Administration budget recommends a total of $26.25 billion for *food stamps and related programs* for FY2003, $3.25 billion more than FY2002. This includes food stamp program expenses, a reserve fund, nutrition assistance for Puerto Rico and Samoa and funding to buy commodities for the emergency food assistance program (EFAP). Both H.R. 5263 and S. 2801 provide the same amounts for food stamp expenses and the food distribution program on Indian Reservations (FDPIR) – $22.77 billion – and for a food stamp reserve fund ($2 billion). However, the

Administration request and the Senate bill contain $1.377 billion for Puerto Rico and Samoa. The House bill funds this at $1.401 billion, because, according to the committee report, of additional mandatory spending requirements for these programs under the 2002 farm bill (P.L. 107-171). Funding to buy commodities for EFAP would be $140 million under both S. 2801 and H.R. 5263; the Administration proposed only $100 million for this purpose, the same as in FY2002. The Administration budget anticipates food stamp participation growth of about 800,000 in FY2003, or about 4% above FY2002 for a total of 20.6 million persons in FY2003. P.L.107-171 restored food stamp eligibility for legal immigrants residing in the U.S. for at least 5 years and changed the quality control system, employment rules, and deductions.

H.R. 5263 funds all *child nutrition programs* at $10.58 billion, in concurrence with the Administration request. S. 2801 is slightly higher, providing $4 million in discretionary spending to continue school breakfast program start-up grants of $3 million; $200,000 for the Food Works of Vermont Common Roots program; and $500,000 for an archive resource center at the National Food Service Management Institute. The funding level for the mandatory feeding programs is expected to maintain full program participation for the school lunch, breakfast, child and adult care food, summer food service, and special milk programs, as well as other related support activities.

The Senate bill provides $4.751 billion in FY2003 for the *special nutrition program for women, infants and children (WIC)* in concurrence with the Administration request. This represents an increase of $289 million from the total FY2002 appropriation of $4.462 billion. The FY2002 level includes two emergency supplemental appropriations ($39 million in P.L. 107-117 and $75 million in P.L. 107-206). It also includes a $150 million contingency reserve. H.R. 5263 provides $4.776 billion, or $25 million more than the Administration and Senate for WIC for FY2003. All three proposals contain the $150 million contingency reserve fund. According to USDA estimates, WIC is expected to serve a monthly average of 7.8 million low-income pregnant and postpartum mothers and young children under the Administration's FY2003 proposed funding level.

Funding for the *Commodity Assistance Program* (the term used by appropriators to refer to the *Commodity Supplemental Food Program (CSFP*) and for administrative funds for *the EFAP)* would decline under the Administration proposal – from $149.5 million in FY2002 to just under $145 million in FY2003. The House bill increases funding for these two programs to $170 million in FY2003; of this amount, $120 million would go for the CSFP and $50 million for TEFAP administrative expenses. The House Appropriations Committee recommends that all of the increase go for the CSFP; TEFAP administrative costs would remain at the FY2002 level of $50 million. The Senate bill is $167 million below the House level and requires that $5 million of the amount provided must be used for senior farmers' market activities.

No FY2003 funding is requested in the USDA budget for the *elderly nutrition program*, a food donation program that provides mostly cash-in-lieu of commodities to support meal programs for senior citizens. The Administration proposes to merge this program with the larger meal programs operated for senior citizens under the

Older Americans Act by the Department of Health and Human Services. Both House and Senate appropriators agreed to the Administration proposal to zero out elderly program FY2003 funding for USDA ($149.7 million in FY2002). *Pacific Island and Disaster Assistance* would continue to be funded at $1.081 million under the Administration request and both bills.

Other nutrition program provisions in H.R. 5263 would: (1) provide $4 million for Bill Emerson and Mickey Leland Hunger Fellowships, (2) permit the USDA Secretary to use up to $10 million of food stamp funds designated for buying EFAP commodities for costs associated with the distribution of commodities, and (3) prohibit the use of any child nutrition, WIC, or food stamp funds from being used by the Food and Nutrition Service (FNS) to conduct studies or evaluations, with some exceptions. S. 2801 differs in several respects from these House proposals. S. 2801 provides $2.5 million for Emerson and Leland Hunger Fellowships, and permits the Secretary to use up to $5 million of food stamp funds for costs associated with the distribution of commodities under EFAP. It also allows up to $3.195 million for program evaluations and studies by the Food and Nutrition Service and not more than $500,000 of this amount to be transferred to the Economic Research Service (ERS) of USDA. ERS is the unit that would conduct studies and evaluations under the House bill.

Food and Drug Administration

The Food and Drug Administration (FDA), an agency of the Department of Health and Human Services (DHHS), is responsible for the regulation and safety of foods, drugs, biologics (vaccines), and medical devices. The agency's funding comes from a combination of congressional appropriations and user fees, fees primarily collected for the review of pharmaceuticals. The total amount of drug user fees to be collected is set each year in FDA's annual appropriations act. The bill reported by the House Appropriations Committee (H.R. 5263) provides for total FDA funding of $1.385 billion for FY2003, an increase of $15.7 million above the FY2002 appropriation of $1.218 billion and $7.3 million above the FY2003 Administration request of $1.377 billion. The Senate Appropriations Committee-reported bill (S. 2801) provides a total of $1.404 billion, which is $19 million above the House level, $34.7 million above the FY2002 appropriation and $26 million over the request. Of this total amount, H.R. 5263 provides $1.377 billion for salaries and expenses (compared with $1.393 billion in S. 2801), and $8 million for the maintenance of buildings and facilities (compared with $11 million in S. 2801). The House total, including salaries and expenses, user fees, and facilities amounts to $1.608 billion, while the Senate total comes to $1.638 billion.

Both the House and Senate Committees provide $222.9 million to be collected in FY2003 for drug user fees under the newly reauthorized Prescription Drug User Fee Act (PDUFA) for the approval of drug applications. Congress reauthorized PDUFA in May 2002 with language incorporated into the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (P.L. 107-188). An additional $22.5 million will be collected from mammography clinics and export certificates, bringing the user fee total to $245.4 million in FY2003.

H.R. 5263 supports the President's FY2003 budget request of $159.1 million, while S. 2801 provides $152.3 million for counter-terrorism activities initiated by the agency during the previous year. In FY 2002, supplemental funds for bioterrorism were used to hire 673 new employees and improve FDA's capacity to respond to terrorist threats.

The two bills provide different funding levels for FY2003 for several budget categories. For instance, both committees direct FDA to continue funding the Office of Women's Health, but the House sets aside $1.5 million in FY2003 for this activity, while the Senate doubles the amount to $3 million. The House committee fully funds the Administration's $8.3 million request to upgrade its financial management system, but the Senate committee says that these fund were already provided in the FY 2002 budget through reprogramming, and are no longer necessary.

Both committee reports prohibit the FDA from spending any money on several administrative actions involving agency personnel. One such restriction would prevent the agency from transferring and consolidating FDA's Offices of Public Affairs and Legislation to within the DHHS. Because these offices handle assurances on food safety, drugs, vaccines, and medical devices, FDA officials in these offices rely on the expertise found in other parts of the agency. For these reasons, both committees disagree with the consolidation and say they want the office to remain part of the FDA.

The reauthorization of PDUFA will likely reopen the debate on the issue of charging user fees for the approval of medical devices and animal drugs. An amendment establishing user fees for these products was offered, but was dropped during consideration of the bioterrorism bill, which included the reauthorization of PDUFA. The proposals may re-emerge as a floor amendment to the FY2003 appropriations bill.

Food Issues

H.R. 5263 does not include a specific level of funding for food safety, but the Senate committee, noting the expansion of FDA activities under the category of "Food Safety Initiative" recommends a total of $504.8 million in S. 2801 for this purpose. House report language requests a summary of the case-controlled studies that link naturally-occurring bacterial pathogens to specific foods – i.e., *E. coli*, *Salmonella*, *Campylobacter*, and *Listeria* found on meat, poultry, eggs, seafood, fruits and vegetables. In addition, both bills support further progress in the detection of the pathogens; the Senate provides $2 million for FDA to continue the evaluation of new testing methods for pathogens at New Mexico State University.

In report language, the House Appropriations Committee expresses displeasure with the agency's failure to produce a report detailing how the FDA allocates money to the National Antimicrobial Resistance Monitoring System (NARMS) activities and overhead costs. The House Committee wants the report within 60 days of enactment of the FY2003 appropriations bill. The Senate Committee does not mention a report but did comment that the NARMS data should be unbiased, timely, and accurate.

Seafood safety is of concern to both committees. Both direct the FDA to spend $250,000 to continue support for shellfish safety research and study *Vibrio vulnificus*, a pathogen found in raw oysters. Both committees want FDA to continue its work with the Interstate Shellfish Sanitation Conference on the development of regulations, and information on shellfish. The Senate committee also wants FDA to encourage the development of cost effective technologies for seafood, and wants special care taken when FDA inspects seafood plants in both Hawaii and Alaska.

The House directs FDA to enforce U.S. dietary supplement laws, and stop producers of the so-called herbal product "Siberian ginseng" from labeling and referring to their product as "ginseng." The Senate Committee is interested in the potential positive health benefits of Omega 3, a fatty acid, quantities of which are found in salmon. The committee wants FDA to report on whether canned and fresh salmon should bear a label reflecting the benefits of Omega 3.

The House committee commends FDA for its recent statement that adverse event reports (AERs) regarding dietary supplements containing ephedrine alkaloids do not alone provide a scientific basis for assessing the safety of these herbal and supplement products. Ephedrine alkaloid, a central nervous system stimulant, is an active ingredient in a variety of dietary supplements and over-the-counter medications. The Senate committee, also concerned about AERs, provides $7.6 million for the food center's adverse event system – called CAERS. Of this amount, the Senate Committee requires $1.5 million be spent on tracking adverse events related to dietary supplements.

Drug Issues

Both the House and Senate bill reports recognize that the timely approval of generic drugs is an important factor in addressing the rising cost of prescription drugs. To this end, the House recommends a funding level of $4.58 million for FDA's generic drug program. By comparison, the Senate provides $45.3 million, a significant increase in funding for the same program. Both committees said they expect FDA to review 75% of the abbreviated new drug applications (ANDAs) for generic drugs within six months of submission. Moreover, within 90 days of enactment, the House committee expects the agency to come up with a plan describing how it will review 100% of ANDAs within 180 days of submission, and the resources the program would need to upgrade inspections, infrastructure, and technological requirements. In addition, the House committee recommends $400,000 to continue FDA's education program about the importance of generic drugs, particularly studies on consumer education. Further, the House committee directs the agency to issue a final guidance for drug makers clarifying the requirements for listing patents in the *Orange Book*, the official publication where FDA lists patent information for pharmaceutical products. The House committee also wants to ensure that the Office of Drug Safety receives at least a $5 million increase for FY2003, as authorized in the 2002 bioterrorism act to continue its post marketing surveillance for pharmaceuticals. The Senate committee makes no such comparable authorization.

Medical Device Issues

Both committees express concern about delays in review for new medical devices and the impact it was having on the health of Americans. In last year's appropriations conference report, FDA was directed to provide an update of its medical device review performance, as compared to statutory requirements for application decisions, to the House committee in January and July 2002. To date, the updated report has not been submitted. The House committee directs the FDA to develop a plan to eliminate the medical device performance gap within 90 days of enactment. The plan is to include an estimate of the resources needed, and specify how the agency would meet statutory timeframes for application reviews and inspections, and what infrastructure and technology upgrades would be required. The House committee notes that many applications for medical devices are for combination products that involve consultation with FDA's Center for Biologics Evaluation and Research (CBER). The House committee asks for a report by May 31, 2003, on the prevalence of combination products, and how the review times for these products compare with standard medical devices.

By contrast, the Senate committee provides an increase of $8 million from the FY2002 level for activities related to pre-market reviews of medical devices, with the money to be used solely for pre-market reviews. Moreover, the Senate committee directs the agency to provide a report, within 90 days, on how these funds will be spent, including the number of employees that will be hired, a description of their duties, and the effects the funds will have on pre-market review times. Also, the Committee expresses concern that FDA may consider allowing a single pre-market submission for reprocessing of multiple models of certain medical devices, and as such, urged the agency to require a pre-market submission for every model that is to be reprocessed, if an application was required for the original device.

Biologics Issues

The House committee encourages Center for Biologics Evaluation and Research to allocate adequate resources to the Office of Blood Research and Review to promote the timely review of new intravenous immune globulin (IGIV) products that have been submitted for licensure using the revised clinical trial protocol. In addition, the House committee urges the FDA to develop a feasability plan for a 'Fast-Track' program to facilitate the awarding of Investigational New Drug status to new vaccine candidates, particularly HIV vaccines, and submit a progress report towards implementing the program by March 1, 2003. The Senate committee is concerned about the safety of tissue processing. Since 1997, FDA has proposed several new regulations dealing with the registration of tissue processors, the listing of tissue products, and good manufacturing practices. Thus far, FDA has finalized only the rule dealing with registration, and the committee directs the the agency to finalize the tissue safety rules within 9 months of enactment.

Table 4. USDA and Related Agencies Appropriations for FY2003 Budget Authority

($ in millions)

Agency or Major Program	FY2002 Enacted (1)	FY2003 Administration Request (2)	FY2003 House Bill (H.R. 5263)	FY2003 Senate Bill (S. 2801)	FY2003 Enacted
Title I — Agricultural Programs					
Agric. Research Service (ARS) Regular Appropriation Supplemental Appropriations	 1,098.5 138.0	 988.0 0	 1,097.5 0	 1,161.7 0	***
Coop. State Research Education and Extension Service (CSREES)	1,024.4	1,017.4	1,062.3	1,172.9	***
Economic Research Service (ERS)	67.2	79.2	73.3	65.7	***
National Agricultural Statistics Service (NASS)	113.8	143.7	137.9	141.7	***
Animal Plant Health and Inspection Service (APHIS) Regular Appropriation Supplemental Appropriation	 627.7 119.1	 775.3 0	 749.1 0	 748.9 0	***
Agric. Marketing Service (AMS)	86.8	91.7	92.0	92.1	***
Grain Inspection , Packers and Stockyards Admin. (GIPSA)	33.1	12.2 (3)	44.7	44.7	***
Food Safety and Insp. Serv (FSIS) Regular Appropriation Supplemental Appropriation	 715.6 15.0	 763.0 0	 755.8 0	 766.6 0	***
Farm Service Agency (FSA) Salaries and Expenses	939.0	993.6	976.7	997.4	***
FSA Farm Loans - Subsidy Level	187.6	212.1	212.1	243.8	***
**Farm Loan Authorization*	*3,890.7*	*3,802.0*	*3,802.0*	*4,065.7*	***
FSA Farm Loans- Salaries and Administrative Expenses	280.6	287.2	287.2	287.2	***
Emergency Conservation Program	0	48.7	0	0	
Risk Management Agency (RMA) Salaries and Expenses	74.75	72.8	70.7	71.2	***
Federal Crop Insur. Corp. Fund (4)	2,900.0	2,886.2	2,886.0	2,886.2	***
Commodity Credit Corp. (CCC) (4)	20,279.0	16,285.0	16,285.0	16,285.0	***
Other : Regular Appropriation Supplemental Appropriation	 478.5 80.9	 541.0 0	 642.7 0	 627.9 0	***
Total, Agricultural Programs **Regular Appropriation** **Supplemental Appropriations**	 **28,899.7** **353.0**	 **25,197.0** **0**	 **25,373.4** **0**	 **25,593.0** **0**	***

Agency or Major Program	FY2002 Enacted (1)	FY2003 Administration Request (2)	FY2003 House Bill (H.R. 5263)	FY2003 Senate Bill (S. 2801)	FY2003 Enacted
Title II — Conservation Programs					
Conservation Operations	779.0	841.0	843.6	847.0	***
Watershed Surveys and Planning	11.0	0	11.2	11.0	***
Watershed & Flood Prevention					***
Regular Appropriation	106.6	0	110.0	105.0	
Supplemental Appropriation	94.0	0	0	0	
Watershed Rehabilitation Program	10.0	0	0	30.0	***
Emergency Watershed Protection	0	110.0	0	0	***
Resource Conservation & Developm.	48.0	49.1	55.1	50.4	***
Forestry Incentives Program	6.8	0	0	0	***
Total, Conservation					***
Regular Appropriation	**962.1**	**1,000.9**	**1,020.6**	**1,044.2**	
Supplemental Appropriation	**94.0**	**0**	**0**	**0**	
Title III — Rural Development					
Rural Community Advancement Program (RCAP)	806.6	791.5	950.3	867.2	***
Salaries and Expenses	133.7	145.7	145.7	134.0	***
Rural Housing Service (RHS)	1,474.5	1,528.5	1,576.0	1,585.3	***
* *RHS Loan Authority*	*4,485.8*	*3,924.3*	*4,551.5*	*3,932.2*	***
Rural Business Cooperative Serv.	46.6	35.8	50.7	50.8	***
* *RBCS Loan Authority*	*53.1*	*55.0*	*55.0*	*55.0*	***
Rural Utilities Service (RUS)					***
Regular Appropriation	120.0	84.6	99.9	107.9	
Rescission	(12.0)	0	0	0	
* *RUS Loan Authority*	*5,378.6*	*3,272.6*	*5,070.7*	*5,870.3*	***
Total, Rural Development					*******
Regular Appropriation	**2,581.9**	**2,587.1**	**2,823.3**	**2,746.0**	
Rescission	**(12.0)**	**0**	**0**	**0**	
* *Rural Development, Total Loan Authority*	*9,917.6*	*7,224.9*	*9,677.2*	*9,857.4*	***
Title IV — Domestic Food Programs					
Child Nutrition Programs	10,087.2	10,576.2	10,576.2	10,580.2	***
WIC Program					***
Regular Appropriation	4,348.0	4,751.0	4,776.0	4,751.0	
Supplemental Appropriations	114.0	0	0	0	

Agency or Major Program	FY2002 Enacted (1)	FY2003 Administration Request (2)	FY2003 House Bill (H.R. 5263)	FY2003 Senate Bill (S. 2801)	FY2003 Enacted
Food Stamp Program Regular Appropriation Rescission	 22,992.0 (24.0)	 26,249.7	 26,313.7	 26,289.7	***
Commodity Assistance Program (5)	149.5	145.0	170.0	167.0	***
Food Donation Programs	150.7	1.1	1.1	1.1	***
Other	128.2	148.7	135.0	138.9	***
Total, Food Programs **Regular Appropriation** **Supplemental Appropriations** **Rescission**	 **37,855.6** **114.0** **(24.0)**	 **41,871.7** **0**	 **41,971.9** **0**	 **41,927.9** **0**	***
Title V — Foreign Assistance					
Foreign Agric. Service (FAS)	121.8	131.7	130.0	131.9	***
Public Law (P.L.) 480	998.7	1,314.0	1,357.1	1,328.4	***
CCC Export Loan Salaries	4.0	4.1	4.1	4.1	***
Total, Foreign Assistance	**1,124.5**	**1,449.6**	**1,491.1**	**1,464.4**	***
Title VI — FDA & Related Agencies					
Food and Drug Administration Regular Appropriation Supplemental Appropriation	 1,218.0 151.1	 1,377.4 0	 1,384.7 0	 1,403.8 0	**
Commodity Futures Trading Commission (CFTC) Regular Appropriation Supplemental Appropriation	 70.7 16.9	 46.9 0	 80.0 0	 94.4 0	***
Total, FDA & CFTC **Regular Appropriations** **Supplemental Appropriations**	 **1,288.7** **168.0**	 **1,424.3** **0**	 **1,464.6** **0**	 **1,498.2** **0**	***
Other Provisions (6)	**118.9**	**0**	**118.2**	**56.5**	***
Total, before adjustments: **Regular Appropriations** **Supplemental Appropriations** **Rescissions** **Grand Total**	 **73,035.7** **535.0** **(47.3)** **73,523.4**	 **73,530.5**	 **74,263.1**	 **74,330.2**	***
CBO Scorekeeping Adjustments (7)	108.4	531.8	42.8	330.8	***
Grand Total, Including CBO Scorekeeping Adjustments and Emergency Spending	**73,631.8**	**74,064.4**	**74,305.9**	**74,661.0**	***

Source: Based on spreadsheets provided by the House Appropriations Committee

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

*** = Action Pending

(1) FY2002 enacted levels include amounts appropriated in the regular FY2002 agriculture appropriations act for USDA and related agencies (P.L. 107-76), the $535 million in emergency supplemental funding in P.L. 107-117, and the $158 million in net non-contingent appropriations (after $44 million in rescissions) made in P.L. 107-206.

(2) Agency totals do not include the cost of the Administration's legislative proposal to require all federal agencies to pay the full share of accruing employee pensions and annuitant health benefits beginning in FY2003. However, the CBO-estimated cost of this proposal ($368 million in FY2003 for USDA, FDA, and CFTC) is included at the end of the table in the scorekeeping adjustments of the FY2003 request.

(3) The Administration's request assumes enactment of new inspection and licensing user fees totaling $29 million.

(4) Under current law, the Commodity Credit Corporation and the Federal Crop Insurance Fund each receive annually an indefinite appropriation ("such sums, as may be necessary"). The amounts shown for both FY2002 and FY2003 are USDA estimates of the necessary appropriations.

(5) Includes an adopted $3.3 million rescission in the FY2002 enacted level.

(6) Among other FY2002 provisions, includes $75 million in apple market loss assistance, and an extension of the authority for the dairy price support program for 5 months (scored by CBO at $15 million).

(7) Scorekeeping adjustments reflect the savings or cost of provisions that affect mandatory programs, plus the permanent annual appropriation made to USDA's Section 32 program. The cost of the Administration proposal to require all federal agencies to pay the full share of current employee pensions and annuitant health costs is also included in the scorekeeping adjustments of the FY2003 Administration request.

For Additional Reading

CRS Briefing Book. *Agriculture Policy.*

CRS Issue Brief IB98006. *Agricultural Export and Food Aid Programs*.

CRS Report 98-325. *Agricultural Research, Education, Extension and Economics Programs: A Primer*.

CRS Issue Brief IB10077. *Agricultural Trade Issues in the 107th Congress*.

CRS Report 98-25. *Child Nutrition Programs: Background and Funding*.

CRS Report RL31095. *Emergency Spending for Agriculture: A Brief History of Congressional Action, FY1989-2001*.

CRS Report RS21212. *Farm Disaster Assistance.*

CRS Report RL30739. *Federal Crop Insurance and the Agriculture Risk Protection Act of 2000 (P.L. 106-224).*

CRS Report 98-59. *Food Stamps: Background and Funding*.

CRS Report RL31466, *Homeland Security Department: U.S. Department of Agriculture Issues.*

CRS Issue Brief IB96030. *Soil and Water Conservation Issues*.