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Appropriations for FY2004: 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.

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Appropriations for FY2004: U.S. Department of Agriculture and Related Agencies

Summary

As the first step in the FY2004 budget and appropriations process, the Administration released its budget request on February 4, 2003. Included in the budget submission was a requested FY2004 appropriation of $77.63 billion for the U.S. Department of Agriculture (USDA) and related agencies (Food and Drug Administration and the Commodity Futures Trading Commission).

The $77.63 billion requested is $3.0 billion above the $74.58 billion provided in total for FY2003 in both regular (P.L. 108-7) and supplemental (P.L. 108-11) appropriations. Much of the increase in requested spending for FY2004 is within USDA mandatory programs, particularly the food and nutrition programs, which would receive $2.3 billion more in FY2004 than the current year appropriation.

For the discretionary portion of the request, the Administration requests an appropriation of $17.14 billion for USDA and related agencies, which is $736 million below the FY2003 enacted appropriation of $17.88 billion, including the supplemental. Among the requested reductions in USDA spending are: $424 million less for rural general assistance programs (although the lower level of spending would support a program level close to the FY2003 level); $333 million less for international food aid from the FY2003 level that was bolstered by supplementals; and a $150 million reduction for agricultural research activities.

The FY2004 request presents several funding and policy issues that may be addressed in appropriations or authorizing legislation, including proposals to: restrict or eliminate mandatory funding for certain rural development, conservation and research programs; resolve a funding dispute for technical assistance for certain conservation programs; provide food aid resources in response to global food crises; eliminate congressionally earmarked research projects; increase funding for meat and poultry inspection; and limit the reimbursement rate to private insurance companies participating in the federal crop insurance program.

The House and Senate Appropriations Committees have held hearings on the FY2004 Administration request for USDA and related agencies. House subcommittee markup on the FY2004 agriculture appropriations bill is expected to be held shortly after the subcommittee receives its discretionary spending allocation from the full committee.

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Division abbreviations: RSI = Resources, Science and Industry; DSP= Domestic Social Policy. G&F=Government and Finance

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Most Recent Developments

On February 3, 2003, the Bush Administration released its FY2004 budget estimates, containing a requested appropriation of $77.63 billion for the U.S. Department of Agriculture and Related Agencies. Of the requested amount, $60.5 billion is for mandatory programs and $17.1 billion for discretionary programs. The agriculture subcommittees of the House and Senate Appropriations Committees have conducted hearings on the request. Subcommittee markups are pending, and are expected to be held this spring shortly after the subcommittees receive their discretionary allocations from the full committees.

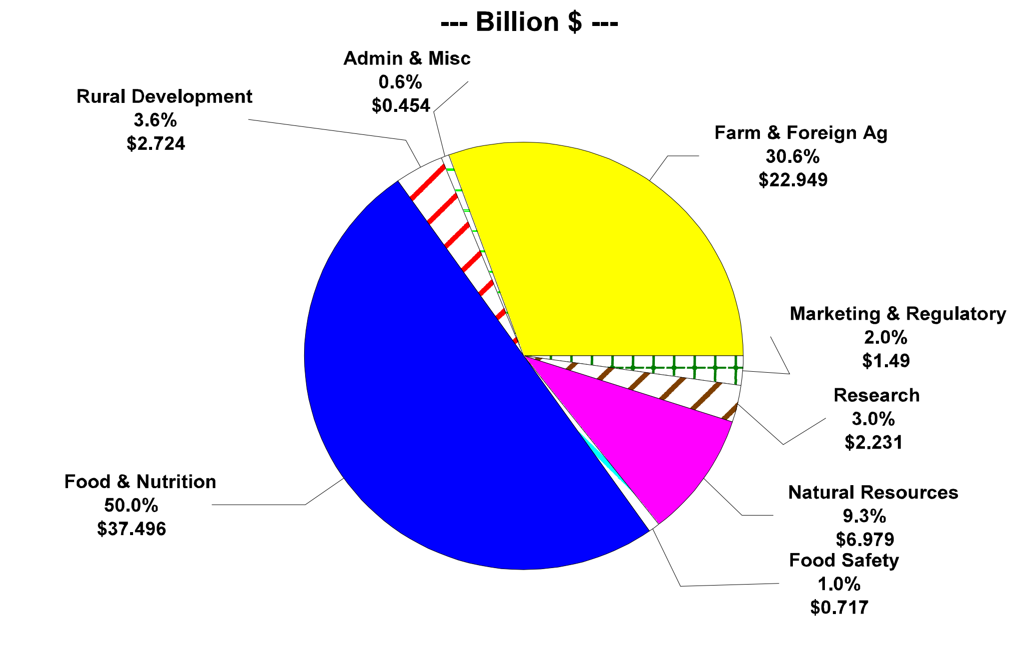
USDA Spending at a Glance

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

USDA gross outlays for FY2002 (the most recently completed fiscal year) were $79.95 billion, including regular spending and supplemental spending for homeland security following the September 11, 2001 terrorist attacks. The mission area with the largest gross outlays ($37.5 billion or 50% of spending) was for food and nutrition programs – primarily the food stamp program (the costliest single USDA program), various child nutrition programs, and the 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 $22.9 billion, or 31% of all USDA spending in FY2002. Within this area are the programs funded through the Commodity Credit Corporation (e.g., the farm commodity price and income support programs and certain mandatory conservation and trade programs), crop insurance, farm loans, and foreign food aid programs.

Total USDA spending in FY2002 also included $7.0 billion (9%) for an array of natural resource and environment programs, approximately three-fourths of which was for the activities of the Forest Service, and the balance for a number of discretionary conservation programs for farm producers. (USDA's Forest Service is funded through the Interior appropriations bill; it is the only USDA agency not

Figure 1
U.S. Department of Agriculture Actual Gross Outlays, FY2002



Source: USDA Office Of Budget and Program Analysis

funded through the annual agriculture appropriations bill.) USDA programs for rural development ($2.72 billion in gross outlays for FY2002); research and education ($2.2 billion); marketing and regulatory activities ($1.5 billion); meat and poultry inspection ($717 million); and departmental administrative offices and other activities ($454 million) account for the balance of USDA spending.

Mandatory vs. Discretionary Spending

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

Table 1. USDA and Related Agencies Appropriations, FY1995 to FY2003
(budget authority in billions of dollars)

	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03
Discretionary	$13.29	$13.31	$13.05	$13.75	$13.69	$13.95	$15.07	$16.02	$17.46
Mandatory	$54.61	$49.78	$40.08	$35.80	$42.25	$61.95	$58.34	$56.91	$56.70
Total Budget Authority	$67.90	$63.09	$53.12	$49.55	$55.94	$75.90	$73.41	$72.93	$74.16

Note: Includes regular annual appropriations for all of USDA (except the Forest Service), the Food and Drug Administration, and the Commodity Futures Trading Commission. Excludes all mandatory emergency supplemental appropriations. The FY2003 level reflects the 0.65% across-the-board rescission applied to all discretionary programs funded in the FY2003 Consolidated Appropriations Act (P.L. 108-7), except for the WIC program which was specifically exempted.

Source: House Appropriations Committee.

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

The Administration's FY2004 Budget Request

On February 3, 2003, the Administration released its budget request for FY2004, including an estimated appropriation of $77.63 billion for the U.S. Department of Agriculture (USDA) and related agencies (Food and Drug Administration and the Commodity Futures Trading Commission). The total requested appropriation for FY2004 is $3.0 billion above the $74.58 billion provided in total for FY2003 in the regular annual appropriation (P.L. 108-7) and a subsequent supplemental measure (P.L. 108-11).[1] Almost all of the increased requested spending for FY2004 is accounted for within USDA mandatory programs, particularly for food and nutrition programs (up $2.3 billion) and the reimbursement to the Commodity Credit Corporation (CCC) for the net realized losses associated with its farm price and income support spending (up $990 million). Total estimated mandatory USDA spending under the request (for food stamps, child nutrition, CCC spending, and crop insurance) is $60.49 billion, up $3.8 billion from the enacted FY2003 level of $56.70 billion. For mandatory rural development spending, however, the Administration is requesting that it either be canceled or converted to discretionary funding.

For discretionary spending on programs within USDA and related agencies, the Administration requests an appropriation of $17.14 billion, an amount that is $736 million below the FY2003 enacted appropriation of $17.88 billion, including the supplemental. Among the requested reductions in USDA spending are: $424 million less for rural general assistance programs (although the lower level of spending would support a program level close to FY2003); $333 million less for international food aid from the FY2003 level that was bolstered by supplementals; and a $150 million reduction for agricultural research activities.

The FY2004 request presents several funding and policy issues that may be addressed in appropriations or authorizing legislation, including proposals to: restrict or eliminate mandatory funding for certain rural development, conservation and research programs; resolve a funding dispute for technical assistance for certain conservation programs; provide food aid resources in response to global food crises; provide additional international food aid resources if food crises continue or reoccur; redirect or eliminate congressionally earmarked research projects; increase funding for meat and poultry inspection; and limit the reimbursement rate to private insurance companies participating in the federal crop insurance program.

The House and Senate Appropriations Committees have held hearings on the FY2004 Administration request for USDA and related agencies. House subcommittee markup on the FY2004 agriculture appropriations is expected to be held shortly after the subcommittee receives its discretionary spending allocation from the full committee.

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[1]All enacted FY2003 appropriation figures cited in this report are adjusted for a 0.65% across-the-board rescission on all discretionary accounts (except for the WIC program, which was specifically exempted), as required by a provision in the FY2003 Consolidated Appropriations Act (P.L. 108-7) to offset the total cost of the omnibus measure.

The following sections of this report discuss the FY2004 Administration request (including policy proposals) for USDA and related agencies, by major program and mission area, and compare the FY2004 request with the FY2003 enacted level.

Farm Commodity Support

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

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

As in past years, the Administration requested an indefinite appropriation for the CCC for FY2004, which the Administration estimates at $17.275 billion, compared with an estimated indefinite appropriation of $16.285 billion provided in FY2003. Not included in the FY2003 amount is a separate appropriation of $3.1 billion in P.L. 108-7 (Division N, Emergency Relief) for farm disaster assistance, which is being funded through the borrowing authority of the CCC.

Crop Insurance

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

The Administration estimates that the mandatory funded Federal Crop Insurance Fund will require an FY2004 appropriation of $3.368 billion, compared with an estimated FY2003 appropriation of $2.886 billion. Legislative enhancements (P.L. 106-224) made to the program in 2000 greatly increased the federal subsidy of insurance premiums. The increased subsidy coupled with large program losses associated with the extended drought in various parts of the country have contributed to increased program costs in recent years. For the discretionary component of the crop insurance program, the salaries and expenses of USDA's Risk Management Agency, the Administration requests an appropriation of $78.5 million, up $8.2 million from the FY2003 enacted level of $70.25 million. Much of the requested increase would cover proposed information technology initiatives within RMA.

The Administration request also contains a legislative proposal to limit the amount of subsidy that accrues to the private insurance companies participating in the program. The Administration maintains that the increased farmer participation in the program following the 2000 legislative enhancements has resulted in windfall profits for the private insurance companies. Hence, the FY2004 budget request contains a proposal to cap the reimbursement that the private companies receive from the federal government for their delivery expenses at 20% of premium for FY2004 and subsequent years, instead of the current cap of 24.5%. According to Congressional Budget Office estimates, enactment of this proposal would save $81 million in FY2004.

Farm Service Agency

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

FSA Salaries and Expenses. This account funds the expenses for program administration and other functions assigned to the FSA. These funds consist of appropriations and transfers from CCC export credit guarantees, from P.L. 480 loans, and from the various direct and guaranteed farm loan programs. All administrative funds used by FSA are consolidated into one account. For FY2004, the Administration requests a total appropriation of $1.02 billion for FSA salaries and expenses. The requested amount is $46 million above the regular annual appropriation of $970.4 million for FY2003. However it is $24 million below the total FY2003 level that includes supplemental authority for FSA to tap the CCC for $70 million to cover the administrative costs associated with implementing ad hoc disaster assistance authorized in the emergency provisions of P.L. 108-7.

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

The Administration requests an appropriation of $210.7 million for FY2004 to subsidize the cost of making $3.52 billion in direct and guaranteed FSA loans. The enacted FY2003 loan subsidy was $226.8 million to support FSA loans totaling $3.94 billion. Most of the proposed $420 million decline in requested loan authority is accounted for in a proposed $300 million reduction in unsubsidized guaranteed farm operating loans (from $1.7 billion authorized in FY2003 to an estimated $1.4 billion in FY2004). The Administration contends that the proposed reduction in funding for this program, which finances farmers' purchases of feed, seed, fertilizer, livestock and machinery, is consistent with historical demand.

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.) Conservation spending combines discretionary spending, which is more then $1 billion annually in recent years, and mandatory funding, which is funded through the Commodity Credit Corporation and is estimated to total just under $3 billion in budget authority in FY2004, according to the March 2003 Congressional Budget Office baseline.

Discretionary Programs. The Administration is requesting $1.241 billion for all discretionary conservation programs administered by NRCS, which is an increase of $220 million from FY2003. As part of this request, the Administration is proposing to create a new discretionary line item of $432 million to pay for technical assistance in support of the mandatory conservation programs. It is also requesting decreases from FY2003 funding levels in all the existing discretionary programs, including decreases of: $116 million in Conservation Operations (to $703 million); $69 million from Watershed and Flood Prevention Operations (to $40 million); $20 million from Watershed Rehabilitation (to $10 million); $5 million from watershed planning (to $6 million); and less than $1 million from Resource Conservation and Development (to $50 million). The FY2004 request is not accompanied by any proposals for major conservation policy changes, unlike earlier Bush Administration requests. The decrease in Conservation Operations can be viewed as being closer to level funding, since NRCS estimates that it spends more than $100 million now out of the Conservation Operations account to pay for technical assistance in support of the mandatory programs, and all those costs would be covered through the new line item under this proposal. (For more on this issue, see "Technical Assistance Funding" below.)

In addition to the proposed funding levels, another possible issue is the growing use of earmarks within the discretionary conservation program accounts. The FY2003 appropriation included 214 congressional earmarks with a total value of more than $200 million, according to a compilation prepared by the NRCS budget office. Most earmarks are in the Conservation Operations and Watershed and Flood Prevention Operations accounts. Both the number and total value of earmarks have been growing in recent years, and for some programs, the growth in earmarks has exceeded the growth in overall program funding some years. Some conservation supporters have expressed concern that the increased use of earmarks means that less money is available for the most pressing conservation priorities, unless they happen to coincide with the earmarked projects and activities.

Mandatory Programs. Annual funding levels for each of the mandatory conservation programs was set in the 2002 farm bill. (For two of the programs, the Conservation Reserve and the Wetlands Reserve, limits are set in enrolled acres rather than dollars.) The budget submission includes proposals to limit funding in six of these programs to a total of $285 million below the authorized levels. The reduction would offset part of the cost of establishing a proposed new line item to fund technical assistance in support of mandatory programs. Proposed reductions include: $150 million from the Environmental Quality Incentive Program (to $850 million); no funding for the Conservation Security Program (it has no annual authorized funding levels, but was scored at $19 million); $95 million from the Watershed Rehabilitation Program (to $0); $9 million from the Ground and Surface Water Conservation Programs (to $51 million); $18 million from the Wildlife Habitat Incentives Program (to $42 million); and $13 million from the Farmland Protection Program (to $112 million).

Regardless of whether Congress acts on these proposed reductions, the Conservation Reserve Program will remain the largest conservation program, with a budget authority of $1.92 billion, according to the Congressional Budget Office's March 2003 estimates. The next largest program will be the Environmental Quality Incentive Program. If Congress rejects the Administration proposal, budget authority for this program will be $1.0 billion, an increase of $300 million from FY2003. Other smaller programs would all increase, with the total budget authority rising from $533 million (for 6 programs) in FY2003 to $729 million (for 7 programs) in FY2004.

Technical Assistance Funding. The rapid expansion in funding for conservation programs and activities resulted in increased requests for technical assistance. A statutory cap on the use of Commodity Credit Corporation (mandatory) funds to provide such assistance for mandatory conservation programs has created a funding shortfall. Congress had addressed these funding concerns in the 2002 farm bill. However, in late 2002, the Office of Management and Budget, later supported by a Department of Justice opinion, ruled that the farm bill did not remove the CCC cap and the Administration would continue to limit mandatory technical assistance funding through the CCC.

The Administration sought to address this problem in the FY2003 budget proposal by creating a new farm bill technical assistance line item, funded at $333 million. This would support eight mandatory programs (authorized at a total of $1.2 billion), plus the Conservation Reserve Program, a mandatory program authorized in acres rather than dollars. Congress rejected this proposal, and specifically prohibited the use of discretionary funds to implement any mandatory conservation programs. This prohibition, combined with other limits in law for some of the discretionary programs, means that some of the mandatory programs will have to be significant "donor programs" by funding technical assistance for other programs, thereby leaving less money available to implement their activities. USDA estimates that four programs will be donor programs, with the largest donations being made from the Environmental Quality Incentives Program (EQIP) ($107.9 million) and the Farmland Protection Program (FPP) ($27.6 million). The Administration has again proposed a new discretionary technical assistance line item for FY2004, as discussed above.

Representative Lucas, chair of the House Agriculture Committee's subcommittee responsible for conservation, has proposed legislation (H.R. 1907), that would not allow money in three of the mandatory programs (EQIP, the Grasslands Reserve Program, and FPP), to be spent for technical assistance for any of the other mandatory programs. Congress might address this issue through the appropriations process, or might act through separate authorizing legislation.

Agricultural Trade and Food Aid

USDA's international activities include both discretionary and mandatory programs which, combined, have a program value estimated by the Administration at $6.2 billion for FY2004, about $200 million less than estimated for the current fiscal year. Of that amount, approximately $1.4 billion would require an appropriation, and the balance is mandatory spending that is funded through the borrowing authority of the Commodity Credit Corporation (CCC). Both the discretionary and mandatory international programs are authorized in the 2002 farm bill (P.L. 107-171). Food aid donations are permanently authorized under section 416(b) of the Agricultural Act of 1949.

Foreign Agricultural Service. The Foreign Agricultural Service (FAS), for which the Administration requests an FY2004 appropriation of $140.8 million, up $11.7 million from FY2003, administers all of USDA's international activities with the exception of P.L. 480 Title II which is administered by the U.S. Agency for International Development (USAID). Elsewhere in its budget proposal, the Administration has requested $6.6 million for the Office of the Secretary to support a number of trade-related biotechnology activities.

Food Aid. Commodity sales and humanitarian donations under P.L. 480 or Food for Peace and a new program, the McGovern-Dole International Food for Education Program (IFEP), authorized in the 2002 farm bill, are discretionary programs. P.L. 480 historically has been the main vehicle for providing U.S. agricultural commodities as food aid overseas. For P.L. 480, the President's budget estimates a program level of $1.345 billion for FY2004. Of that amount, an appropriation of $1.185 billion is requested for P.L. 480 Title II commodity donations to meet humanitarian needs for development and relief in food deficit countries. The requested amount for Title II is $255 million less than the $1.44 billion enacted in the regular FY2003 appropriations measure. IFEP will provide commodity donations and associated finance and technical assistance to carry out school and child feeding programs in foreign countries. The 2002 farm bill authorized $100 million of CCC funding for IFEP in FY2003. Beginning in FY2004, however, IFEP will be funded by appropriations, for which the President has requested $50 million in FY2004.

Other food aid programs, for which funding is mandatory, are Food for Progress (FFP) which provides commodities to countries that are introducing and expanding free enterprise in their agricultural economies; Section 416(b) commodity donations; and the Bill Emerson Humanitarian Trust, primarily a commodity reserve. The President's budget envisions $151 million of CCC funding for FFP. That program level (plus some funding from P.L. 480 Title I) is expected to provide the minimum 400,000 tons of commodities in FFP required by the 2002 farm bill. The President's budget assumes that around $119 million of surplus nonfat dry milk will be made available under Section 416(b) in FY2004.

So far in FY2003, the Secretary has announced releases from the Emerson Trust of 200,000 tons of wheat for emergency relief in the Horn of Africa (Ethiopia and Eritrea) and 600,000 tons of wheat for emergency relief in Iraq. Around 1 million metric tons of wheat are available in the Trust, which is authorized to hold up to 4 million metric tons of wheat, corn, sorghum, and rice.

The Emergency Wartime Supplemental Appropriations Act of 2003 (P.L. 108-11) included an appropriation of $369 million for P.L. 480 Title II commodity donations. Some of the funds are to be used to restore funding to previously approved FY2003 Title II non-emergency programs, for which funding was not available, and to replenish partially the Emerson Trust for commodities released to meet urgent food needs in Africa and Iraq. With the supplemental, FY2003 appropriations for P.L. 480 Title II emergency and non-emergency food aid total more than $1.8 billion.

The President's FY2004 budget includes a number of proposed reforms in U.S. international food aid programs. The Administration announced its intent to reduce the number of programs through which food aid is provided and to redefine roles to eliminate overlap. Consequently, USDA would carry out government-to-government programs, essentially P.L. 480 Title I direct loans, while USAID would assume responsibility for programs carried out in cooperation with private voluntary organizations, cooperatives and the UN World Food Program (WFP). The Administration also would reduce the reliance of food aid on the year-to-year availability of surplus commodities. Thus, section 416(b) donations which rely on the purchase of surplus commodities by the CCC would be phased out by the end of FY2003, while funding for P.L. 480 Title II would be increased to compensate partially for reduced section 416(b) food aid.

The 2002 farm bill and the FY2003 consolidated appropriations act (P.L. 108-7) essentially countermanded the Administration's announced reforms. The farm bill authorized FFP, administered by USDA, and also IFEP, for which the President subsequently assigned implementing authority to USDA. FFP and IFEP continue USDA involvement in food aid programs that are implemented with private volunteer organizations (PVOs), cooperatives, and the WFP. Although section 416(b) food aid was substantially reduced in FY2003, the Administration has indicated that surplus nonfat dry milk will be provided via section 416(b) in FY2004. Furthermore, the President's FY2004 budget indicates that commodities acquired by CCC in the normal course of its domestic support operations will be available for donation under section 416(b) authority.

Policy discussions about food aid in FY2003 were dominated by concerns about the adequacy of food aid resources to respond to simultaneous food crises in Africa, Afghanistan, North Korea, and Iraq. To meet food needs generated by these crises, Congress provided larger food aid appropriations than requested in both the regular FY2003 appropriations and the Emergency Wartime Supplemental. The need for additional food aid resources may also become an issue in FY2004 if food crises continue or reoccur. The Emerson Trust proved to be a critical component of the U.S. response to humanitarian food crises in FY2003. Further replenishment of the Trust, which has been rapidly drawn-down to one-fourth of its 4-million ton maximum, may also be discussed in Congress.

Export Programs. Mandatory programs to promote exports include the Export Enhancement Program (EEP), the Dairy Export Incentive Program (DEIP), CCC Export Credit Guarantee Programs, the Market Access Program (MAP), and the Foreign Market Development Program (FMDP), also known as the "Cooperator" Program. In the EEP and DEIP programs, USDA makes cash bonus payments to exporters of U.S. agricultural commodities to enable them to be price competitive when U.S. prices are above world market prices. EEP has been little used in recent years and no EEP bonuses were provided in FY2002. Reflecting this program experience, the President's budget assumes a program level of $28 million in both FY2003 and FY2004, compared with $478 million authorized by the 2002 farm bill. Consequently, USDA retains some flexibility to increase the level of EEP subsidies. For DEIP, the budget expects a program level of $57 million for FY2004.

The President's budget projects an overall program level of $4.2 billion in FY2004 for CCC export credit programs, which provide payment guarantees for the commercial financing of U.S. agricultural exports. While this projection is virtually the same as for FY2003, the actual level of guarantees will depend on demand for credit, market conditions, and other factors. Of the amount of guarantees expected to be issued in FY2004, $4 billion would be made available for GSM (for General Sales Manager)-102 short-term guarantees of up to 3 years, while GSM-103 intermediate-term guarantees (3 to 10 years) would be allocated $18 million.

For export market development, the budget proposes $125 million for the Market Access Program and $34.5 million for the Foreign Market Development Program, as required by the 2002 farm bill. Both programs support the development and maintenance of export markets for U.S. agricultural products. However, MAP mainly promotes high value products, including brand-name products, while FMDP promotes generic commodities.

Funding for U.S. agricultural export and food aid programs could be affected by ongoing WTO agricultural trade negotiations. The United States has proposed that agricultural export subsidies be eliminated, while the European Union, which opposes complete elimination of such subsidies, has conditioned its willingness to negotiate reductions in export subsidies on the inclusion of export credit programs (such as CCC export credit guarantees) and food aid based on surpluses (such as section 416(b)) on the WTO agriculture negotiating agenda. The EU and other trading partners charge that the U.S. credit program has a subsidy element (although it is much less than the subsidy represented by the EU's own export subsidy program) and gives the United States an unfair competitive advantage in exporting certain agricultural commodities.

The EU and other U.S. trading partners, such as Australia, Brazil, and a number of agricultural exporting developing countries, also have raised the issue of large U.S. food aid shipments in ongoing WTO agriculture negotiations. They have suggested that the United States is using food aid to get around its export subsidy reduction commitments made in the 1994 Uruguay Round Agriculture Agreement. The United States has countered that its food aid shipments, though large, are made in conformity with WTO rules, and are being made available to countries with food needs or used for development programs.

Agricultural Research, Extension, and Economics

Four agencies carry out USDA's research, education, and economics (REE) function. The Department's intramural science agency is the Agricultural Research Service (ARS), which performs research in support of USDA's action and regulatory agencies, and conducts long term, high risk, basic and applied research on subjects of national and regional importance. The 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).

With the exception of recent years in which USDA research agencies have received supplemental funds for antiterrorism activities, the agricultural research budget, when adjusted for inflation, has remained flat for almost 30 years. Furthermore, current financial difficulties at the state level are causing some states to reduce the amounts they appropriate to match the USDA formula funds (block grants) for research, extension, and education (100% matching is required, but most states have regularly appropriated two to three times that amount). A combination of cuts at the state and federal levels can result in program cuts as far down as the county level. In 1998 and 2002 legislation authorizing agricultural research programs, the House and Senate Agriculture Committees tapped sources of available funds from the mandatory side of USDA's budget and elsewhere (*e.g.*, the U.S. Treasury) to find new money to boost the availability of competitive grants in the REE mission area. From FY1999 through FY2003, the Appropriations Committees have blocked the use of those mandatory funds for the purposes the Agriculture Committees intended; however, from FY1999 through FY2002, the appropriations conference committees have allocated more funding for ongoing REE programs than the House *and* Senate bills have contained. Nonetheless, agricultural scientists, stakeholders, and others currently are concerned that higher military spending and lower tax revenues may return the REE mission area to a period of static or shrinking appropriations.

Agricultural Research Service. The Administration requests an FY2004 appropriation of $1.011 billion in total for ARS. Of that amount, $987.3 million would support ARS's research programs ($47.8 million below the FY2003 level), and $24 million would support the modernization and construction of ARS facilities ($95 million less than the FY2003 level; or $205 million less, when one counts the $110 million ARS received in the FY2003 supplemental appropriation act (P.L. 108-11) for construction at the National Animal Disease Laboratory in Ames, Iowa). As in past years, the Administration assumes the discontinuation of several congressionally earmarked research and construction projects and directs the savings to other research priority areas. Congress has never accepted the discontinuation of these earmarks. The total $142.5 million reduction for ARS in the Administration request also assumes that a portion of funding that normally would be appropriated under USDA for ARS science and facilities work at the Foreign Animal Disease Laboratory on Plum Island, New York, will be appropriated under the authority of the new Department of Homeland Security, now that this laboratory has been transferred to the new Department.

Cooperative State Research, Education, and Extension Service. The Administration requests $1.003 billion in total for FY2004 for CSREES. This represents a $113.9 million reduction from the enacted FY2003 appropriation. The Administration proposes a $102.6 million reduction in research and education funding for the states, and a $28.3 million reduction in federal funds for state extension programs, but an increase of $16.4 million for a fairly new category (1998) of multi-state research projects that have both research and extension components (up from $46.4 million), and an increase of $533,000 for an outreach program for socially disadvantaged farmers ($3.5 million in FY2003).

As in past years, the Administration proposes to eliminate all but about $3 million in earmarked research and extension grants to specified land grant schools ($130 million in FY2003). In past years, Congress has never adopted such proposals. For USDA's major competitive, peer-reviewed grant program, the National Research Initiative (NRI), the Administration proposes a substantially higher FY2004 appropriation ($240 million) than any it has received to date. The FY2003 appropriation for the NRI currently is the highest in the program's history, ($167.1 million).

Economic Research Service (ERS) and National Agricultural Statistics Service (NASS). The Administration requests $76.7 million for ERS, ($8 million more than the FY2003 appropriation), and $136.2 million for NASS for FY2004, ($2.3 less than FY2003).

Food Safety

USDA's Food Safety and Inspection Service (FSIS) conducts mandatory inspection of meat, poultry, and processed egg products to insure their safety and proper labeling. The Administration requests a $797.1 million appropriation for FSIS. Of the proposed $42.3 million increase over FY2003, the Administration would allocate $25.6 million toward hiring more inspectors and increasing laboratory capacity for analyzing food samples for possible acts of bioterrorism, among other things.

For many years, FSIS also has had access to user fees collected from industry for laboratory accreditation and for overtime and holiday inspection. Approximately $101 million is made available annually from this account to support the inspection program. The President's budget request contained a proposal to change the definition of "overtime" to mean any hours that a firm might be operating beyond one 8-hour daytime shift. This would significantly raise the amount of fees collected from industry and diminish the proportion of inspection paid for by tax dollars. Congress has never agreed to similar proposals in the past, saying that assuring the safety of the food supply is an appropriate function of the federal government.

Marketing and Regulatory Programs

Animal and Plant Health Inspection Service (APHIS). APHIS, the USDA agency that protects U.S. agriculture from domestic and foreign pests and diseases, would receive $699.9 million in FY2004 under the Administration request, an increase of $7.2 million from the FY2003 enacted appropriation of $692.7 million.[2] The Administration request would increase the appropriation for APHIS' workforce by $12.1 million, from $682.8 million in FY2003 to $694.9 in FY2004. The increased funding for program activities would come in part from a $4.9 million reduction in APHIS buildings and facilities (from $9.9 million in FY2003). The President's budget request contains a proposal to create a new user fee for APHIS regulatory activities under the Animal Welfare Act. The Administration calculated that approximately $7 million in revenue from the user fees would partly offset the proposed increase in APHIS salaries and expenses.

APHIS also has authority to tap funds from the CCC in cases of extraordinary emergency related to plant or animal disease outbreaks. In FY2002, $200 million in CCC funds were transferred for APHIS program use.

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 FY2004 appropriations of $91.8 million for AMS, compared with $91.5 million in

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[2] The actual FY2003 appropriation for APHIS was $730.7 million. However, $38 million of the appropriation was transferred to the Department of Homeland Security, as APHIS border security and its foreign animal disease laboratory were transferred to the new Department.

FY2003. These levels include annual appropriations for marketing services and for payments to states and territories, as well as funds transferred from the permanent Section 32 account, which funds government purchases of surplus farm commodities that are not supported by ongoing farm price support programs. Not included in these levels are approximately $195 million in various user fees that also fund numerous AMS activities. The President's FY2004 request for AMS contained no new initiatives or shifts in current program emphases.

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 its understanding and oversight of livestock markets, where increasing concentration and other changes in business relationships have raised concerns among some producers about the impacts of competition on farm prices. Congress appropriated $39.7 million for GIPSA in FY2003; another $42.5 million was expected to be collected through existing user fees. For FY2004, the Administration proposed that new user fees be enacted to replace $28.8 million in appropriations (without the new user fees, the FY2004 appropriation would be $41.7 million under the Administration budget). Approximately $5 million of the proposed new fees would come from charges for the costs of developing, reviewing, and maintaining official U.S. grain standards; the other $24 million would come from new license fees imposed on packers, live poultry dealers, poultry processors, stockyard owners, market agencies, dealers and swine contractors covered by the Packers and Stockyards Act (PSA).

The Administration requested that $1 million in FY2004 GIPSA funds be used to implement a new pilot program to audit the four largest beef packers, intended for "better financial protection to the regulated industries through heightened financial scrutiny of the Top Four." Also, $500,000 was proposed to conduct a comprehensive, industry-wide review of the PSA and its regulations. The Act has not undergone a comprehensive review since its enactment in 1921 despite "dramatic structural changes" in the industry since then, USDA observed. After receiving industry participant input, "GIPSA will clarify its views on competition in the industries it regulates. These activities may result in future increases in the number and complexity of investigations conducted by GIPSA and the monies recovered or returned to the regulated industries," the Department added. The budget summary also noted that some of the new funds, proposed for the Secretary's office for "crosscutting" trade and biotechnology activities, may be provided to GIPSA for its expanded biotechnology activities.

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 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 FY2003 enacted appropriation for rural development programs was $2.77 billion, which in part supports a loan authorization level of $12.02 billion. For FY2004, the Administration is requesting an appropriation of $2.29 billion for all rural development programs, which in part would support $7.75 billion in loan authorization. The FY2004 budget request is $484.4 million below the enacted FY2003 appropriation, and supports $4.27 billion less in loan authorization than the FY2003 revised enacted appropriation.

The Administration proposes cancelling most mandatory authorization for rural development programs in the 2002 farm bill (see below) and requests that some funding be shifted to discretionary 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. It permits a portion of the various accounts' funds to be shifted from one funding stream to another. The FY2004 budgetary authority request of $477.9 million for RCAP would support $2.61 billion in loans and grants. While this budget authority request is slightly more than half the amount in the FY2003 revised enacted appropriation ($901.8 million), the FY2004 request supports nearly the same program level as FY2003 ($2.74 billion). Negative subsidy rates were calculated for some RCAP direct and guaranteed loans in FY2004. Thus, corresponding budget authority is not required to support a given program level.

The Administration requests a program level of $477 million for the Community Facilities account; approximately $1.5 billion for the Rural Utilities account; and $649.5 million for the Rural Business and Cooperative Development account. Budget authority for these 3 accounts is $17 million, $384.5 million, and $76.3 million respectively. Program levels for direct loans in the Rural Utilities account would increase by approximately $241 million over FY2003 levels to $1.05 billion under a $57 million reduction in budget authority. Water and waste water grants would decline from $587 million in FY2003 to $346 million in FY2004. At a requested program level of $3.5 million, solid waste management grants would remain close to the FY2003 enacted level.

Direct and guaranteed FY2003 loan levels for the Community Facility account are established at $250 million and $210 million respectively. A negative subsidy rate calculated for FY2004 means that no appropriation is required to support either the direct or guaranteed loan program. Guaranteed loans for the Business and Industry Loan account would decrease to $602 million, $130 million less than the program level for FY2003. There is no funding requested for High Energy Cost grants, Hazardous Weather Early Warning grants or Economic Impact Initiative grants. FY2004 requests for the Rural Business Opportunity grants and Rural Business Enterprise grants, which support small and emerging business start-ups and expansion, are approximately the same as estimated for FY2003, $3 million and $44 million respectively.

Rural Business-Cooperative Service (RBS). In addition to the RCAP programs administered by the RBS, appropriations are made for several other RBS loan and grant accounts. The Administration requests an appropriation of $38.9 million for RBS loan and grant programs. This is $11.4 million less than enacted for FY2003, but supports virtually the same loan authorization level ($55 million) as FY2003. The Rural Development Loan Fund account, which supports the Rural Intermediary Relending program, would receive an FY2004 appropriation of $17.3 million ($1.9 million less than the FY2003 enacted level), but the authorized loan level would remain constant at $40 million.

The 2002 farm bill authorized several new programs that also are being implemented by RBS. The Administration proposes cancelling in FY2004 the mandatory funding provided for the Value-Added Agricultural Product Market Development ($10 million) and the Renewable Energy program ($23 million). The Administration proposes that $3 million for the Renewable Energy Program and $2 million for the Value-added Product grants be made discretionary. The Administration requests no funding for the Rural Empowerment Zones and Enterprise Community (EZ/EC) grants program, which supports projects in very poor designated areas. In FY2003, $14.8 million was appropriated for the program. Funding, however, is earmarked for the EZ/EC program under several RCAP accounts.

Rural Housing Service (RHS). For USDA rural housing programs, the Administration requests an appropriation of $1.55 billion for FY2004 to support a loan authorization level of $4.3 billion. Almost all the requested authorization is for the Rural Housing Insurance Fund account (RHIF). The FY2004 budget request is $21.4 million less than enacted for FY2003 and the loan authorization level is $1.52 billion less than enacted for FY2003. The Administration request would support approximately $166 million in direct and guaranteed loan subsidies for the Section 502 single family housing program, the RHIF's largest account. This is $67 million less than enacted for FY2003.

Direct loans for multi-family Section 515 rural rental housing projects would decline to $30 million from $54 million in FY2003, and, as in FY2003, be limited to repair and rehabilitation. USDA is conducting an evaluation of the physical condition of existing Section 515 housing projects and the extent that loans for repair and rehabilitation would be needed. Many projects built in the 1980s are, or soon will be, eligible for prepayment and departure from the program. Rental Assistance payments for Section 521 housing would increase to $734 million in FY2004, from $715 million in FY2003. Budget authority for Farm Labor Housing loans (Section 514) and grants (Section 516), Rural Mutual Housing Assistance grants, and Mutual and Self-Help Housing grants would remain at or near the levels enacted for FY2003.

The RHS also administers several mandatory programs authorized by the 2002 farm bill: the Rural Firefighters and Emergency Personnel Program, the Rural Strategic Investment Program, and the Rural Business Investment Program. As with several programs in the RBS, the Administration proposes cancelling the funding for these programs in FY2004. Funding for the Rural Business Investment Program was requested in FY2003, but to date, none of the available funds has been allocated. A provision in the FY2003 appropriations also prohibits the expenditure of any funds to carry out the programs of the Rural Strategic Investment Program.

Rural Utilities Service (RUS). The Administration requests an appropriation of $81.3 million for RUS to support a program level of $3.38 billion. The loan authorization level request for FY2004 is $2.74 billion less and the appropriation request is $30.7 million less than that for FY2003. The difference in program level between FY2003 and FY2004 is largely accounted for by the farm bill authorization. For FY2004, the Administration proposes cancelling $40 million in mandatory funding and making it discretionary for the Enhancement of Access to Broadband Service authorized in the 2002 farm bill. Budget authority for grants and loan subsidies for the Distance Learning and Telemedicine grants is $36.1 million, approximately $20 million less than enacted for FY2003. This authority would support a loan authorization level of $246.5 million, about $36 million less than authorized for FY2003. Most of the budget authority is requested for grants. No funding is requested for the Local Television Loan Guarantee account.

Program levels for all electric and telecommunication loan expenditures would rise slightly over FY2003 levels to $3.13 billion in FY2004. No funds are requested for the Rural Telephone Bank loans. To assess future priorities, the Administration will conduct a program evaluation of RUS loans made in FY2002 and FY2003 to determine the characteristics of communities receiving loans, the benefits derived from the loans, and the extent to which RUS loans go to support poverty areas.

Food and Nutrition Programs

The Administration has requested a total FY2004 appropriation of $44.25 billion for USDA food and nutrition programs. These programs include the food stamp program, child nutrition programs (e.g., school lunch, breakfast, summer food, child care, special milk, etc.), the special supplemental nutrition program for women, infants and children (WIC), and various commodity donation programs for low income persons. The Administration request reflects an increase of $2.35 billion over the $41.89 billion appropriated for these programs in FY2003.

The food stamp program, the largest of the federal nutrition programs is expected to serve an estimated average of 20.7 million persons in FY2003. For FY2004, the Administration estimates that its FY2004 request of $24.2 billion will provide food stamp benefits to an average of 21.6 million persons. This does not include those who will be served with some $3.6 billion in food stamp funds that are set aside for Nutrition Assistance for Puerto Rico, the Food Distribution Program on Indian Reservations, American Samoa and the Northern Marianas, and the emergency food assistance program. The Food Distribution Program on Indian Reservations (FDPIR) is slated to receive $82.2 million for FY2004 under the Administration proposal. This program operates in lieu of the food stamp program on or near Indian Reservations. The Administration also proposes that $140 million of food stamp budget authority (the same as for FY2003) be used to buy commodities for the Emergency Food Assistance Program, which provides commodities and administrative funds to state agencies for food distribution to emergency feeding outlets. The request also includes a $2 billion food stamp contingency reserve for FY2004, the same level as appropriated in FY2003.

Child Nutrition programs would receive a total budget authority of $11.4 billion (excluding $400 million from Section 32 commodities) under the Administration's FY2004 budget. This would be used to assist with the costs of meal service programs in schools, child and adult care, summer and after-school programs, and related nutrition and administrative support. The largest of these programs, the school lunch program, is expected to serve subsidized meals to some 28.7 million children in FY2003. For FY2004 it would receive an estimated $6.7 billion and serve 29.1 million children, according to USDA estimates. No major program changes are outlined in the Administration budget request, although $6 million is requested to fund a new system to tighten free and reduced price meal eligibility determinations.

An appropriation of $4.77 billion is recommended by the Administration for the WIC program, which provides monthly food packages for low-income pregnant and postpartum mothers, and children under age 5. The President's request is $73 million more than the FY2003 appropriation, and is expected to serve a monthly average of 7.8 million women and children in FY2004. Included in the total is a contingency reserve of $25 million. According to the Administration, this will be added to $125 million in unexpended reserve funds from FY2003.

Additionally, the Administration proposes to remove funding for the Farmers Market Nutrition Program from the WIC program account and fund this program at $20 million under the so-called Commodity Assistance Program (CAP), which is a combination of various commodity donation programs so designated by appropriators. This proposal has been rejected by the Congress in the past.

The Administration proposes to fund CAP at a total of $166.1 million in FY2004 -- $2.6 million more than the FY2003 level. This would include an estimated $95 million for the commodity supplemental food program (CSFP); $20 million for the Farmers Market Nutrition program (formerly funded under the WIC account); $50 million in administrative funds for the emergency food assistance program; and $1.1 million in food donations for disasters and nuclear affected islands. No funding would be provided for the Senior Farmers Market program for FY2004 (it received $10 million in FY2002). The largest of the CAPs, the CSFP, provides monthly food packages to some 488,000 low income mothers, children age 5 and under, and elderly persons in projects located in 28 states, two Indian reservations, and the District of Columbia.

Food and Drug Administration (FDA)

The Food and Drug Administration (FDA), an agency of the Department of Health and Human Services (DHHS), is responsible for regulating the safety of foods, drugs, biologics (e.g., vaccines), and medical devices. The agency is funded by a combination of congressional appropriations and user fee revenues, charged primarily for the pre-market review of drug and medical device applications. The total amount of user fees to be collected each year is set in FDA's annual appropriations act. For FY2004, the Administration requests a total program level of $1.71 billion for the FDA, an increase of 3.2% over the $1.66 billion appropriated for FY2003. This amount includes requested appropriations of $1.395 billion for salaries and expenses and $11.5 million for maintenance of buildings and facilities;

and $307.2 million in total user fees, 13.6 % more than the $270.5 million set for FY2003.

The Prescription Drug User Fee Act (PDUFA), enacted as part of the 2002 Public Health Security and Bioterrorism Preparedness and Response Act (P.L. 107-188), reauthorizes FDA to collect user fees for the review of drug and biologic applications. The President's FY2004 budget sets these fees at $249.8 million, an increase of $26.9 million over the $222.9 million for FY2003. Also, the new Medical Device User Fee and Modernization Act (MDUFA) of 2002 (P.L. 107-250) allows the agency to charge user fees for medical device applications as well. The FY2004 request includes $29.2 million in medical device user fee assessments, an increase over the $25.1 million for FY2003. User fee revenues also come from mammography clinics and export certificates, and the request sets their total at $23.2 million. In addition, the FY2004 budget includes $5 million in proposed new user fees for animal drugs. Legislation (H.R. 1260) authorizing a new user fee for animal drugs was introduced on March 13, 2003. Total user fee revenues, which have risen steadily since the law was passed in 1992, now stand at $307.2 million, nearly 18% of FDA's total budget request.

The budget request consolidates most of FDA's FY2004 counter-terrorism activities under the category of food safety as part of the Department of Health and Human Service's overall strategy to protect the nation's food supply. The $20.5 million requested for counter-terrorism activities includes $5 million for grants to states, $5 million for laboratory protection, and another $10.5 million for FDA's new food facility registration system. The facility registration requirement, mandated by the Bioterrorism Act of June 2002, requires all food facilities, both domestic and foreign, to register with the FDA before December 12, 2003.

The Administration's request calls for increased funding in a number of specific budget categories. Among them are $23.3 million in additional funds to cover estimated cost-of-living increases in FY2004, including the hundreds of inspectors hired since 2002, mainly for counter-terrorism activities related to the safety of food products. Further, the FDA is seeking an additional $13 million for its generic drugs program, $4 million for monitoring patient safety, $6 million to move its drug center to White Oak, MD, and $10 million in rental increases to accommodate the 800 counter-terrorism personnel. However, the proposal also includes several savings categories described by the agency as "management savings." Among these are $26 million by realigning and reorganizing functions, and nearly $30 million through improving and consolidating its information technology infrastructure. Some critics of the latter category have intimated that, given FDA's new statutory responsibility for registering food facilities and other mandates called for by the Bioterrorism Act, consolidating information technology systems could be difficult, especially if the agency is in the process of expanding other functions simultaneously.

Commodity Futures Trading Commission (CFTC)

The Commodity Futures Trading Commission (CFTC) is the independent regulatory agency charged with oversight of derivatives markets. The CFTC's functions include oversight of trading on the futures exchanges, registration and supervision of futures industry personnel, prevention of fraud and price manipulation, and investor protection. Although most futures trading is now related to financial variables (interest rates, currency prices, and stock indexes), Congressional oversight is vested in the Agricultural Committees because of the market's historical origins as an adjunct to agricultural trade. For FY2004, the Administration has requested an appropriation of $88.435 million for the operations of CFTC, an increase of $3 million, or 3.5 %, from the FY2003 appropriation of $85.426 million.

Table 2. USDA and Related Agencies Appropriations, FY2004 Budget Request vs. FY2003 Enacted
(Budget Authority, in Millions of $)

Agency or Major Program	FY2003 Enacted (1)	FY2004 Admini-stration Request	FY2004 House Bill	FY2004 Senate Bill	FY2004 Enacted
Title I — Agricultural Programs					
Agric. Research Service (ARS) Regular Appropriation (P.L. 108-7) Supplemental (P.L. 108-11)	1,153.8 110.0	1,011.3 0	***	***	***
Coop. State Research Education and Extension Service (CSREES)	1,117.2	1,003.4	***	***	***
Economic Research Service (ERS)	68.7	76.7	***	***	***
National Agric. Statistics Serv.(NASS)	138.4	136.2	***	***	***
Animal and Plant Health Inspection Service (APHIS)	692.7	699.9	***	***	***
Agric. Marketing Service (AMS)	91.5	91.8	***	***	***
Grain Inspection , Packers and Stockyards Admin. (GIPSA)	39.7	41.7	***	***	***
Food Safety & Inspection Serv. (FSIS)	754.8	797.1	***	***	***
Farm Service Agency (FSA) Salaries and Expenses	970.4	1,016.8	***	***	***
FSA Farm Loans - Subsidy Level	226.8	210.7	***	***	***
**Farm Loan Authorization*	*3,937.0*	*3,518.4*	***	***	***
FSA Farm Loans- Salaries and Administrative Expenses	285.3	298.1	***	***	***
Risk Management Agency (RMA) Salaries and Expenses	70.2	78.5	***	***	***
Federal Crop Insur. Corp. Fund (2)	2,886.0	3,368.0	***	***	***
Commodity Credit Corp. (CCC) (2)	16,285.0	17,275.0	***	***	***
Other Agencies and Programs	656.1	514.9	***	***	***
Total, Agricultural Programs **Regular Appropriation** **Supplemental Appropriations**	**25,346.7** **110.0**	**26,770.8** **---**	*******	*******	*******
Title II — Conservation Programs					
Conservation Operations	819.6	703.6	***	***	***
Watershed Surveys and Planning	11.1	5.0	***	***	***
Watershed & Flood Prevention	109.3	40.0	***	***	***
Watershed Rehabilitation Program	29.8	10.0	***	***	***
Resource Conservation & Development	50.7	49.9	***	***	***

Agency or Major Program	**FY2003 Enacted (1)**	**FY2004 Admini-stration Request**	**FY2004 House Bill**	**FY2004 Senate Bill**	**FY2004 Enacted**
Farm Bill Technical Assistance	0	432.2	***	***	***
Total, Conservation	**1,021.3**	**1,241.6**	*******	*******	*******
Title III — Rural Development					
Rural Community Advancement Program (RCAP)	901.8	477.9	***	***	***
Salaries and Expenses	144.8	147.5	***	***	***
Rural Housing Service (RHS)	1,567.4	1,546.1	***	***	***
** RHS Loan Authority*	*5,844.9*	*4,319.0*	***	***	***
Rural Business-Cooperative Service	50.3	39.0	***	***	***
** RBCS Loan Authority*	*55.0*	*55.0*	***	***	***
Rural Utilities Service (RUS)	112.0	81.3	***	***	***
** RUS Loan Authority*	*6,120.7*	*3,381.0*	***	***	***
Total, Rural Development	**2,777.0**	**2,292.6**	*******	*******	*******
** Rural Development, Total Loan Authority*	*12,020.6*	*2,292.6*	***	***	***
Title IV — Domestic Food Programs					
Child Nutrition Programs	10,580.1	11,418.4	***	***	***
WIC Program	4,696.0	4,769.2	***	***	***
Food Stamp Program	26,313.7	27,746.0	***	***	***
Commodity Assistance Program	163.4	166.1	***	***	***
Food Donation Programs	1.1	0	***	***	***
Food Program Administration	135.7	144.8	***	***	***
Total, Food Programs	**41,890.6**	**44,245.4**	*******	*******	***
Title V — Foreign Assistance					
Foreign Agric. Service (FAS)	129.1	140.8	***	***	***
Public Law (P.L.) 480 Regular Appropriation (P.L. 108-7) Supplemental (P.L. 108-11)	1,334.7 369.0	1,370.9 0	***	***	***
CCC Export Loan Salaries	4.0	4.3	***	***	***
Total, Foreign Assistance **Regular Appropriation** **Supplemental**	**1,467.8** **369.0**	**1,516.0** **0**	*******	*******	*******
Title VI — FDA & Related Agencies					
Food and Drug Administration	1,381.7	1,406.1	***	***	***

Agency or Major Program	FY2003 Enacted (1)	FY2004 Administration Request	FY2004 House Bill	FY2004 Senate Bill	FY2004 Enacted
Commodity Futures Trading Commission (CFTC)	85.4	88.4	***	***	***
Total, FDA & CFTC	**1,467.1**	**1,494.6**	***	***	***
Title VII – General Provisions (3)	**273.7**	**0**	***	***	***
Total, before adjustments:					
Regular Appropriations	**74,244.2**	**77,561.1**	***	***	***
Supplemental Appropriations	**479.0**	**0**			
Grand Total	**74,723.2**	**77,561.1**	***	***	***
CBO Scorekeeping Adjustments (4)	-141.2	68.0	***	***	***
Grand Total, Including CBO Scorekeeping Adjustments and Emergency Spending	**74,582.0**	**77,629.1**	***	***	***
Addendum: Division N, Title II (P.L. 108-7) Disaster Assistance Provisions (5)	**3,084.0**	**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 total appropriation.

*** = Action Pending

(1) FY2003 enacted levels include amounts appropriated for USDA and related agencies in the Consolidated Appropriations Act, 2003 (P.L. 108-7) adjusted for the 0.65% across-the-board rescission in all discretionary programs (with the exception of the WIC program which was specifically exempted from the rescission), and the $479 million in supplemental FY2003 agriculture appropriations provided by the Wartime Supplemental Appropriations Act, 2003.

(2) Under current law, the Commodity Credit Corporation and the Federal Crop Insurance Fund each receive annually an indefinite appropriation ("such sums, as may be necessary"). The amounts shown for both FY2003 and FY2004 are USDA estimates of the necessary appropriations.

(3) Among the enacted FY2003 "general provisions" are $284.4 million in emergency foreign food assistance through P.L. 480 Title II (in addition to what was provided in the regular annual appropriation to P.L. 480 in Title V); $21.9 million for the Child and Adult Care Feeding program; $2.98 million for Hunger Fellowships; and $496,000 for the National Sheep Industry Improvement Center.

(4) 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.

(5) P.L. 108-7 includes $3.1 billion in farm disaster assistance for 2000 and 2001 crop livestock losses. The cost of this assistance in the final law was offset by a limitation placed on mandatory spending for the Conservation Security Program over a ten-year period (FY2004-2013). This additional spending does not appear in the grand total listed above.