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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

The full House approved its version of the FY2004 appropriations bill (H.R. 2673) for the U.S. Department of Agriculture (USDA) and related agencies on July 14, 2003. The Senate Appropriations Committee reported its version of the measure (S. 1427) on July 17. Senate floor action on S. 1427 is pending.

H.R. 2673, as passed by the House, and S. 1427, as reported, contain a nearly identical total FY2004 appropriation of $77.493 billion, which is $2.91 billion above the FY2003 enacted level of $74.582 billion (including supplementals), and $136 million below the Administration's FY2004 request of $77.629 billion. Of this amount, just over three-fourths ($60.5 billion) of the spending in both bills is classified as mandatory spending, the same level as requested by the Administration.

The balance of spending in the two bills ($17.005 billion) is for discretionary programs, which is $136 million below the Administration's FY2004 request and $872 million below the FY2003 enacted level including supplementals (or $393 million below FY2003, excluding supplementals). To help achieve the $872 million reduction in spending, both bills provide an FY2004 appropriation for foreign food aid that is more than $600 million below the FY2003 level (which was bolstered by supplemental spending). Also, both bills contain provisions that limit or prohibit spending on certain mandatory conservation, rural development, and research programs, which in total reduced spending in these accounts by approximately $550 million from authorized levels.

Although the two measures provide a nearly identical total appropriation, there are a number of differences in spending priorities within the various mission areas of USDA. The House-passed bill provides $71 million more than the Senate for discretionary conservation programs and $36 million more than the Senate for foreign assistance. The Senate-reported bill exceeds the House level by $60 million for rural development programs and by $37 million for domestic food programs.

The House bill contains a general provision that prohibits USDA from promulgating regulations that implement country-of-origin labeling requirements for meat and meat products. It also prohibits the Food and Drug Administration from spending funds to stop the reimportation of FDA-approved drugs sold in Canada and overseas. The Senate bill is silent on these issues, but contains a provision to relax the licensing requirement for traveling to Cuba to pursue opportunities to sell agricultural and medical products. The Senate might also consider a floor amendment to reduce individual payment limits for farm support programs.

Neither bill concurs with the Administration request to create a new discretionary account of $432 million for funding technical assistance for mandatory conservation programs, nor does it concur with an Administration proposal to limit the amount of federal subsidy accruing to the private insurance companies participating in the federal crop insurance program.

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Most Recent Developments

An amended version of the FY2004 appropriations bill for the U.S. Department of Agriculture (USDA) and Related Agencies (H.R. 2673, H.Rept. 108-193) was passed by the full House on July 14, 2004. The Senate Appropriations Committee reported its version of the FY2004 measure (S. 1427, S.Rept. 108-107) on July 17, 2003. Both measures contain $60.5 billion for mandatory programs and $17.0 billion for discretionary spending. Senate floor action is pending.

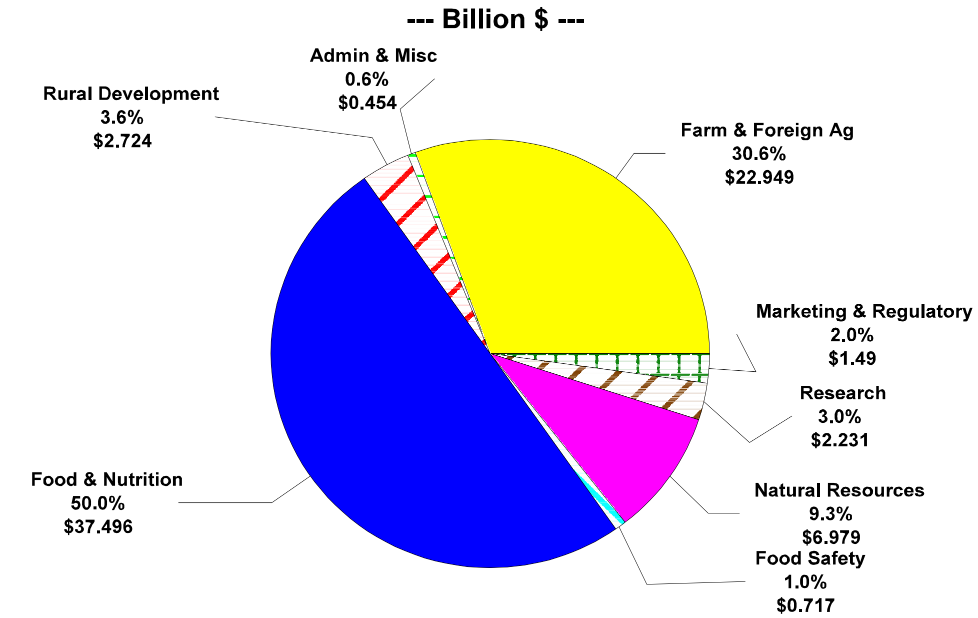
USDA Spending at a Glance

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

USDA gross outlays for 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 Supplemental Nutrition Program for Women, Infants and Children (WIC). The second largest mission area in terms of total spending is for farm and foreign agricultural services, which totaled $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.

FY2004 Agriculture Appropriations Action

Administration 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.

Congressional Action. The agriculture subcommittee of the House Appropriations Committee and the full House Appropriations Committee completed markup of the FY2004 appropriations bill for USDA and related agencies on June 17, 2003 and June 25, 2003, respectively. The FY2004 House measure (H.R. 2673, H.Rept. 108-193) was officially reported on July 9, 2003, and approved by the full House on July 14, 2003. Following the House action, the agriculture subcommittee of the Senate Appropriations Committee completed markup of its version of the

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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.

FY2004 agricultural appropriations bill on July 15 and July 17, 2003, respectively, and reported the measure (S. 1427, S.Rept. 108-107) on July 17. Senate floor action is pending.

Table 2. Congressional Action on FY2004 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	
6/17/03	**	H.R. 2673, H.Rept. 108-193 7/9/03	7/14/03	S. 1427, S.Rept. 108-107 7/17/03	**	**	**	**	**

** = Pending

H.R. 2673, as passed by the House, and S. 1427, as reported, contain a nearly identical total FY2004 appropriation of $77.493 billion for USDA and related agencies, which is $2.91 billion above the FY2003 enacted level of $74.582 billion (including supplementals) and $136 million below the Administration request of $77.629 billion. Of this amount, just over three-fourths ($60.5 billion) of the spending in both bills is classified as mandatory spending, the same level as requested by the Administration.

The balance of spending in the two bills ($17.005 billion) is for discretionary programs, a level exactly equal to the allocations given to the House and Senate agriculture appropriations subcommittees by their respective full committees. The $17.0 billion in discretionary spending in H.R. 2673 and S. 1427 is $136 million below the Administration's FY2004 request and $872 million below the FY2003 enacted level including supplementals (or $393 million below FY2003, excluding supplementals). To help achieve the $872 million reduction in spending, both bills provide an FY2004 appropriation for foreign food aid that is more than $600 million below the FY2003 level (which was bolstered by supplemental spending).

Although the two measures provide a nearly identical total appropriation, there are a number of differences in spending priorities within the various mission areas of USDA. The House-passed bill provides $71 million more than the Senate for discretionary conservation programs and $36 million more than the Senate for foreign assistance. The Senate-reported bill exceeds the House level for rural development programs by $60 million and domestic food programs by $37 million.

Both bills also contain provisions that limit or prohibit spending on certain mandatory conservation, rural development, and research programs. However, there is some difference between the two measures in the mix of programs that would be de-funded to effect these savings. The House bill also contains a controversial general provision that prohibits USDA from promulgating regulations that implement country-of-origin labeling requirements for meat and meat products. The Senate bill is silent on this issue, but contains a provision to relax the licensing requirement for traveling to Cuba to pursue opportunities to sell agricultural and medical products. The Senate might also consider a floor amendment to reduce individual payment limits for farm support programs.

FY2004 Agriculture Appropriations: Proposed Spending Levels and Current Issues

The following sections compare the House-passed version of the FY2004 agriculture appropriations bill (H.R. 2673), the Senate-reported version (S. 1427), the FY2004 Administration request, and the enacted conference agreement on the FY2003 omnibus appropriations bill (P.L. 108-7) for various mission areas and agencies within USDA, and for the Food and Drug Administration and the Commodity Futures Trading Commission. Also see the table at the end of the report for a tabular summary. This report will continue to track congressional action on FY2004 agriculture appropriations as the process continues.

Commodity Credit Corporation

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

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

As in past years, the Administration 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. The House-passed FY2004 agriculture appropriations bill (H.R. 2673) and the Senate-reported FY2004 bill (S. 1427) both concur with this request.

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. As is customary, both the House-passed agriculture appropriations bill (H.R. 2673) and the Senate-reported bill (S. 1427) provide "such sums as may be necessary" for the fund. Legislative enhancements (P.L. 106-224) made to the crop insurance program in 2000 greatly increased the federal subsidy of insurance premiums. The increased subsidy coupled with 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 (RMA), H.R. 2673, as passed by the House provides $71.51 million for RMA, up $1.26 million from the FY2003 enacted level of $70.25 million, but $6.98 million below the Administration's request of $78.49 million. The Senate-reported bill (S. 1427) provides $71.42 million, which is just $81,000 below the House level, but $7 million below the Administration's FY2004 request. The Administration requested a nearly 12% increase for FY2004, mainly to 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. H.R. 2673, as passed by the House, and S. 1427, as reported by the Senate, do not concur with this request. In report language, the Senate Appropriations Committee states that the proposed reimbursement limitation would force some private companies out of business, and that the reimbursement rate should be negotiated in the standard reinsurance agreement between the private companies and the federal government, rather than through a legislative mandate.

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 House-passed appropriations bill (H.R. 2673) provides a total appropriation of $1.02 billion for FSA salaries and expenses, as requested by the Administration. The Senate-reported bill (S. 1427) provides $988.8 million, which is $28 million less than the House bill and the request. Both the House and the Senate levels are above the regular annual appropriation of $970.4 million for FY2003. However, both are 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. Report language accompanying H.R. 2673 instructs USDA not to shut down or consolidate any local FSA offices unless rigorous analysis proves such action to be cost-effective. The Senate committee also expresses concern about FSA downsizing and directs the Secretary to consider the impact further reductions will have on farm services before considering closing additional offices.

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

The 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.

Both the House-passed FY2004 agriculture appropriations bill (H.R. 2673) and the Senate-reported bill (S. 1427) provide cuts in FSA farm loans beyond those requested by the Administration. The House bill contains a loan subsidy of $200.2 million for FSA farm loans and the Senate bill recommends $194.3 million, compared with the Administration request of $210.7 million and the FY2003 enacted level of $226.8 million. The funding in H.R. 2673 would subsidize the cost of making $3.385 billion in direct and guaranteed loans in FY2004, which is $132 million below the Administration request and $551 million below the FY2003 enacted level. The loan subsidy in S. 1427 would support a total loan level of $3.25 billion, which is $137 million below the House level, $270 million below the Administration request, and $664 million below the estimated level for FY2003. In both bills, as in the Administration request, most of the reduction in loan authority is within the unsubsidized guaranteed operating loan program.

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 has totaled 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. The NRCS administers all the discretionary conservation programs.

Discretionary Programs. In total, the House-passed FY2004 agriculture appropriations bill (H.R. 2673) provides $1.045 billion for all discretionary conservation programs, while the Senate bill reported by the Senate Appropriations Committee (S. 1427) provides $973.2 million. The House bill is an increase of $23.5 million from the FY2003 enacted level of $1.021 billion, while the Senate bill is a decrease of $48.1 million from that amount. The Administration had requested $1.241 billion.

The Administration total is difficult to directly compare with congressional amounts because the request included the creation of a new discretionary line item of $432 million to pay for technical assistance in support of the mandatory conservation programs. Both H.R. 2673 and S. 1427 reject this request. The House bill had contained a provision prohibiting the spending of funds in the Conservation Operations account for this purpose. This provision was removed in a floor amendment sponsored by the agriculture appropriations subcommittee chairman. The Senate bill contains provisions that would prohibit using these funds in support of the mandatory conservation programs not only in Conservation Operations, but also in the Watershed Surveys and Planning, Watershed and Flood Preventions Operations, and Watershed Rehabilitation accounts.

The House and the Senate bills both differ from the request and from FY2003 funding levels for all other programs. H.R. 2673, as passed by the House, provides $850.0 million for Conservation Operations, while S. 1427, as reported, provides $826.6 million. (The FY2003 appropriation was $819.6 million, and the Administration requested $703.6 million for FY2004). For Watershed Surveys and Planning, the House-passed bill provides $11.1 million while the Senate-reported bill provides 10.0 million, compared with $11.1 million provided in FY2003 and $5.0 million requested for FY2004. For Watershed and Flood Prevention Operations, the House bill provides $90 million and the Senate bill provides $55 million. (The FY2003 appropriation was $109.3 million and the Administration request for FY2004 was $40 million). For Watershed Rehabilitation, the House provides $40.0 million and the Senate provides $29.8 million (the FY2003 appropriation was $29.8 million and the Administration requested $10.0 million). For the Resource Conservation and Development Program, the House bill provides $52.9 million and the Senate bill provides $51.0 million. (The FY2003 appropriation was $50.7 million and the Administration request was $49.9 million.) Both bills include many earmarks, especially for Conservation Operations, and retain many of the same funding limits that had been included in appropriations acts in past years.

The use of earmarks within the discretionary conservation program accounts continues to be substantial. The FY2004 committee reports (H.Rept. 108-193 and S.Rept. 108-107) contain as many or more earmarks than in earlier years in the Conservation Operations and Watershed and Flood Prevention Operations 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. Both the number and total value of earmarks have been growing in recent years, and for some conservation 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 those pressing conservation priorities that do not 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, so savings are made by limiting the number of acres that can be enrolled.) 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 EQIP, which was funded at $700 million in FY2003. The total budget authority would rise from $533 million in FY2003 to $785 million under the House bill and to $859 million under the Senate bill, but to only $729 million under the Administration request in FY2004.

The House-passed bill limits funding for four of these programs to a total of $229 million below authorized levels, while the Senate-reported bill limits funds for five programs for an estimated reduction of $204 million. In the House bill, spending would be reduced for the Wetlands Reserve Program by $56 million (limiting enrollment to 200,000 acres instead of the authorized level of 250,000 acres); for the Environmental Quality Incentives Program (EQIP) by $25 million (to $975 million);

for the Conservation Security Program (CSP) by $53 million (to $0); and for the Dam Rehabilitation Program by $95 million (to $0). Under the Senate-reported bill, spending for the Dam Rehabilitation Program also would be reduced by $95 million (to $0), and the Wetland Reserve Program would be limited more than in the House bill — to 190,680 acres, for estimated savings of $69 million). The Senate bill also limits spending for the Ground and Surface Water Conservation Program (down $9 million from the authorized level), the Wildlife Habitat Incentive Program (a $60 million reduction), and the Farmland Protection Program (a $13 million reduction). The Administration's budget submission included a different mix of proposals to limit total funding to $285 million below the authorized levels. In the Administration request, the reduction would offset part of the cost of establishing a proposed new line item to fund technical assistance in support of mandatory programs, a proposal both chambers rejected (see discussion above). Proposed reductions included $150 million from the EQIP; no funding for the CSP; $95 million from the Dam Rehabilitation Program; $9 million from the Ground and Surface Water Conservation Program; $18 million from the Wildlife Habitat Incentives Program; and $13 million from the Farmland Protection Program.

Technical Assistance Funding. The rapid expansion in funding for conservation programs and activities has increased requests for technical assistance. Technical assistance had been funded in part through the Commodity Credit Corporation (CCC), in part by reprogramming carry-over funds, and in part by using funds from Conservation Operations, a discretionary program, to pay for this assistance. A statutory cap on the use of CCC funds to provide such assistance for mandatory conservation programs, combined with limits from the other sources and rapid growth in these programs, has created a funding shortfall. Congress attempted to address these funding concerns in the 2002 farm bill (P.L. 107-171). However, in late 2002, the Office of Management and Budget, supported by a Department of Justice opinion, ruled that the farm bill did not remove the CCC cap and the Administration would have to continue to limit mandatory technical assistance funding through the CCC.

The Administration sought to address this problem in a supplement to the FY2003 budget proposal by creating a new farm bill technical assistance line item, funded at $333 million. This would have provided the technical assistance for all the mandatory conservation 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 (funds from Conservation Operations) to implement any mandatory conservation programs. This prohibition, combined with a retention of the cap on CCC funds, 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 EQIP ($107.9 million) and the Farmland Protection Program ($27.6 million). The Administration has again proposed a new discretionary technical assistance line item for FY2004 and both chambers have again rejected it, as discussed above.

As an alternative approach for addressing this issue, the chairman of the subcommittee of the House Agriculture Committee that is responsible for conservation has proposed legislation (H.R. 1907) that would prohibit funds in three of the mandatory programs (EQIP, the Grasslands Reserve Program, and FPP) from being used for technical assistance for any of the other mandatory programs. His subcommittee reported this bill to the full committee on June 17, 2003.

Agricultural Trade and Food Aid

USDA's international activities include both discretionary and mandatory programs with the former funded by appropriations and the latter funded with borrowing from USDA's Commodity Credit Corporation. As passed by the House, the FY2004 agriculture appropriations bill (H.R. 2673) provides an appropriation of $1.523 billion for discretionary programs, which include primarily P.L. 480 food aid programs. The Senate-reported bill (S. 1427) provides an appropriation of $1.487 billion for discretionary programs. Most of the difference between the two bills is accounted for by a Senate recommendation of $25 million for the new McGovern-Dole international food for education program, in contrast to the House recommended appropriation of $56.9 million. For the mandatory programs, which include both agricultural export and other food aid programs, the Administration estimates a program level of around $4.7 billion. Both the discretionary and mandatory international programs are authorized in the 2002 farm bill (P.L. 107-171). Neither appropriations bill places any new funding limits on the mandatory agricultural trade and food aid programs.

Foreign Agricultural Service. In both the House-passed and Senate-reported measures, the Foreign Agricultural Service (FAS), which administers USDA's international activities, receives considerably less than the $145.2 million requested by the Administration — $133.9 million in the House bill and $131.6 million in the Senate bill. Neither measure includes the Administration's request for a $5 million USDA contribution to the Montreal Protocol Fund. The Montreal Protocol is an international agreement on limiting substances that deplete the ozone layer. The House measure includes $2 million to support a number of trade-related biotechnology activities.

Food Aid. As passed by the House, H.R. 2673 provides an appropriation of $1.328 billion for P.L. 480 commodity sales and humanitarian donations and $56.9 million for a new program, the McGovern-Dole International Food for Education Program (IFEP), authorized in the 2002 farm bill (P.L. 107-171). The Senate-reported bill provides $1.326 billion for P.L. 480, but only $25 million for IFEP. 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 must be funded by appropriations. The Senate Committee report suggests that the Secretary investigate the use of Food for Progress resources for IFEP to supplement appropriated funds. USDA administers P.L. 480 commodity sales and IFEP, while the U.S. Agency for International Development (USAID) administers humanitarian donations under P.L. 480 Title II.

In both the House-passed and Senate-reported bills, the appropriation levels for food aid is more than $600 million less than what was appropriated for FY2003. The regular FY2003 appropriation for food aid was bolstered by congressionally initiated responses to humanitarian food needs of $248 million for additional emergency food relief, and $369 million for P.L. 480 Title II programs in the Emergency Supplemental Wartime Appropriations Act (P.L. 108-11). P.L. 108-11 included $69 million for partial replenishment of the Bill Emerson Humanitarian Trust commodity reserve. Funding for these initiatives was not included in the President's request nor do the House and Senate FY2004 appropriations measures include any new emergency funding. The Senate report indicates that the funding for P.L. 480 Title II should be used for its intended purposes, i.e., addressing underlying causes of hunger, and not for ad hoc emergency assistance. In the event of additional emergency needs, the report says, "the Committee reminds the Department of the availability of the Bill Emerson Trust."

The President's budget provides no estimate of the value or volume of commodities that could be released from the Emerson Trust, which has been used extensively in FY2003 to respond to food emergencies in Africa and Iraq. So far in FY2003, the Secretary of Agriculture has announced availability 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. If used, about 1 million metric tons of wheat would remain in the Trust, which is authorized to hold up to 4 million metric tons of wheat, corn, sorghum, and rice. Neither appropriations measure provides additional funding for replenishment of the Emerson Trust.

Other food aid programs include Food for Progress (FFP) which provides commodities to countries that are introducing and expanding free enterprise in their agricultural economies and Section 416(b) commodity donations. The President's budget envisions $151 million of CCC funding for FFP; some funding for FFP also will come from appropriations for P.L. 480 Title I, for which both the House-passed and Senate-reported bills recommend a direct loan authorization of $132 million. USDA estimates that about $119 million of surplus nonfat dry milk will be made available under Section 416(b) in FY2004.

Export Programs. Mandatory (CCC-funded) 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). None of these mandatory programs require an annual appropriation. 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. No EEP bonuses were provided in FY2002 and none has yet been provided in FY2003. 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 would retain 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 guarantee 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 (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.

Cuba Trade. Current U.S. policy is to exempt commercial sales of agricultural and medical products from U.S. unilateral sanctions imposed on foreign countries, subject to specified conditions and prohibitions. Debate continues, though, among policymakers on the scope of the statutory restrictions that should apply on agricultural sales to Cuba. Members of Congress opposed to the Cuba-specific prohibitions have introduced bills in the 108th Congress proposing to effectively repeal them. The Senate-reported version of the FY2004 agriculture appropriations bill (S. 1427) includes language to relax the licensing requirement for traveling to Cuba to pursue opportunities to sell agricultural and medical products. This effort is reportedly in response to a Treasury Department decision in June to deny the license application of a firm seeking to organize a food and agribusiness exhibition in

Havana next January. For more information on this issue, see the CRS Electronic Briefing Book, *Trade*, page on *Economic Sanctions and Agricultural Exports*.

Agricultural Research, Extension, and Economics

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

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 were contained in the House *and* Senate appropriations bills. 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 Senate-reported agriculture appropriations bill (S. 1427) provides $1.092 billion for ARS, an amount $4 million lower than the regular FY2003 appropriation,[2] but $42 million higher than the $1.050 contained in the FY2004 House-passed agriculture appropriations bill (H.R. 2673).

Of the total Senate appropriation for ARS, $1.046 billion would support the agency's research programs, an amount $9 million higher than the FY2003 level, and

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[2] If one includes 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, the Senate committee bill is $174 million less, and the House committee bill $214 million less, than the FY2003 appropriation.

$32 million above the House-passed bill ($1.014 billion). S. 1427 would allocate $46 million to support the modernization and construction of ARS facilities, an amount higher than in the House bill ($35.9 million), but $73 million lower than the FY2003 appropriation.[3] S. 1427 agrees to $14.1 million in project terminations proposed in the Administration's budget, and directs the savings to increases in funding for committee research priorities in such areas as plant genomics, horticulture, biomedical materials in plants, child nutrition, livestock forages, invasive species biocontrol, poisonous plants, and animal diseases that are transmissible to humans.

S. 1427 would fund building and facility projects at nine locations (H.R. 2673 would fund seven locations) for which the Administration had not requested funding. For lab security upgrades, the bill provides a little more than one-half of the requested funding ($11.7 million rather than $22 million). The bill also deletes the Administration's proposed funding for renovating the National Agricultural Library. The House bill provides half the proposed funding for both lab security upgrades and the National Agricultural Library.

As in past years, the Administration's request assumed the discontinuation of several congressionally earmarked research and construction projects and directed the savings to other research priority areas. Although the Senate bill agrees to some project terminations, the House bill restores funding for the projects in full. In fact, the report language for the House bill says that if such proposals are made for FY2005, the Administration will be expected to defend and explain at congressional hearings why each research program should be terminated.

The House-passed bill reflects the assumption in the Administration's request 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. The Senate bill is silent on this subject.

Cooperative State Research, Education, and Extension Service. The Senate-reported FY2004 agricultural appropriations bill would provide $1.118 billion in total for CSREES. This amount is close to the same as FY2003 funding ($1.117 billion). H.R. 2673, the House-passed measure, provides $1.103 billion in total for CSREES ($14 million less than the FY2003 appropriation).

Within the agency's budget, S. 1427 allocates $618 million for research and education funding for the states, essentially level with $617 million in FY2003. H.R. 2673 provides $597 million, $19 million less than FY2003. For federal funds for state extension programs, the Senate-reported bill provides $450.1 million (slightly less than in FY2003, but $10 million more than the House bill, which is $12 million less than the current year). For the fairly new category (1998) of multi-state research

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[3] Counting the $110 million FY2003 supplemental appropriation, the Senate committee bill for FY2004 is $183 million less, and the House bill $193 million less, than the FY2003 level for ARS building and facilities.

projects that have both research and extension components, the Senate-reported bill continues funding essentially at the FY2003 level ($46.7 million), whereas the House-passed bill funds the Administration's request of $63 million, an increase of $16.4 million from FY2003. The Senate-reported bill rejects the Administration's request to increase an outreach program for socially disadvantaged farmers to $4 million, and continues it at the FY2003 level of $3.5 million. Through an amendment adopted on the House floor, H.R. 2673 contains $8.5 million for this program. The additional $5 million would come from a reduction in funding for integrating USDA's computer systems.

As in past years, the Administration proposed to eliminate all but about $3 million in earmarked research and extension grants to specified land grant schools. In past years, Congress has never adopted such proposals. For FY2004, the House and Senate bills would award roughly 160 such grants totaling $101 million and $100 million, respectively. In FY2003 there are 203 grants totaling $112 million. For USDA's major competitive, peer-reviewed grant program, the National Research Initiative (NRI), the Senate-reported bill provides $180 million (up $14 million from FY2003), whereas the House bill would appropriate $149 million ($16.8 million less than FY2003). The annual budget authority for this program is $500 million. The $166 million FY2003 appropriation for the NRI is the highest in the program's history.

Both S. 1427 and H.R. 2673 follow the Administration's request and continue to deny funding to carry out the Initiative for Future Agriculture and Food Systems competitive grants program that was authorized in 1998 and reauthorized in the 2002 farm bill (P.L. 107-171). This program (which is not subject to annual appropriations) was authorized in FY2004 to use $120 million in government mandatory funds. The Senate bill report (S.Rept. 108-107) contains language designating 20% of NRI funds as available for use under the terms and conditions of the Initiative. The House bill is silent on this subject.

Economic Research Service (ERS) and National Agricultural Statistics Service (NASS). The Senate-reported bill contains $70 million for ERS, a $1.2 million increase from FY2003. The House-passed bill makes available $71.4 million, a $2.7 million increase over the current year. For NASS, S. 1427 would provide $129 million, and H.R. 2673 would provide $129.8 million. This would constitute about a $9 million decrease in the NASS budget.

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 Senate-reported bill (S. 1427) provides $783.8 million for FSIS in FY2004 ($29 million more than FY2003, but $13.4 million less than the Administration's request). The House-passed bill provides $785.3 million for FSIS ($30 million more than FY2003, but $12 million less than the Administration's request). The Senate bill specifies that the increase in funding is to support hiring 80 additional FSIS inspectors for domestic inspections, and seven additional inspectors to audit the meat and poultry inspection systems of foreign countries exporting, or seeking to export, products to the United States. Bill language also directs FSIS to

(1) increase the number of overseas trips inspectors make to determine that exporting countries' inspection systems are equivalent to the U.S. system; and (2) continue to use a $5 million increase provided in the FY2003 appropriation to build a 50-inspector unit solely for the purpose of enforcing the Humane Methods of Slaughter Act. Language in H.R. 2673 directs that FSIS use $25.6 million of the increase contained in the bill to hire additional inspectors and to increase laboratory capacity for analyzing food samples for possible acts of bioterrorism, among other things.

In addition to annual appropriations, FSIS traditionally 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. Both S. 1427 and H.R. 2673 disregard the Administration's request for additional user fees.

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 $710.5 million under the Senate-reported appropriations bill ($18 million above FY2003, and $11 million above the Administration's request).[4] Of this, S. 1427 allocates $705.5 million for APHIS programs, and $5 million for repairing, remodeling, and maintaining buildings and facilities ($682.8 million and $10 million, respectively, in FY2003). The House-passed bill also contains $5 million for buildings and facilities, but increases funding for APHIS programs to $725.5 million, for a total appropriation of $730.5 million. Language in the Senate-reported bill encourages the Secretary to use Commodity Credit Corporation (CCC) funds for emergency situations and for indemnifying producers for losses due to APHIS's plant and animal disease eradication programs. The agency used $364 million in CCC funds for such purposes in FY2002.

S. 1427 provides a $5 million increase for surveillance and control of chronic wasting disease in deer and elk (a disease similar to mad cow disease that is transmissible to domestic livestock); an $11.6 million increase to fight emerging plant pests; a $1.4 million increase for grasshopper control in the West; and a $1.3 million increase for an oral vaccination program that reduces the incidence of rabies in wild animal populations, among other programs.

[4] 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.

Among the directives in the report accompanying the House-passed bill (H.Rept. 108-193) is an increase of $4 million for cross-cutting trade negotiations and biotechnology resources in the trade issues resolution management program. Increases above the Administration's request are provided by the House committee report for the relatively new Biotechnology Regulatory Services unit at APHIS (from an Administration-requested $3.9 million to $6.9 million); and also for animal quarantine inspection, for boll weevil eradication, for work on chronic wasting disease and on Johne's Disease, for wildlife services, and for animal welfare activities, among others.

Agricultural Marketing Service. AMS is responsible for promoting the marketing and distribution of U.S. agricultural products in domestic and international markets. The House-passed appropriations bill (H.R. 2673) provides budget authority of $92.7 million for AMS in FY2004, which is above the Administration request of $91.8 million and the $91.5 million provided in FY2003. The Senate committee version (S. 1427) provides higher FY2004 budget authority, at nearly $94 million. The AMS 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 the AMS levels are approximately $195 million in various user fees that also fund numerous agency activities.

The President's FY2004 request for AMS contained no new initiatives or shifts in current program emphases. However, the House-passed bill includes a general provision prohibiting the use of FY2004 funds to implement country-of-origin labeling (COOL) for meat or meat products. The 2002 farm bill (P.L. 107-171) contains a requirement that many retailers provide, starting on September 30, 2004, COOL for fresh fruits and vegetables, red meats, seafood, and peanuts. The program is voluntary until then. A House floor amendment to strike this provision was defeated, 208-193. The Senate committee version does not include such a prohibition on COOL implementation. If, as expected, the full Senate concurs with its committee, House-Senate conferees likely will have to resolve the issue. (For background, see CRS Report 97-508 ENR, *Country-of-Origin Labeling for Foods*.)

The Senate committee report encourages USDA to use all existing Section 32 authorities to continue the $6 million Fruit and Vegetable Pilot Program (providing free fresh fruits and vegetables to students in 25 schools), authorized under Section 4305 of the 2002 farm bill (P.L. 107-171). On a separate but related matter, the report also notes that Section 10603 of the farm bill requires USDA to purchase at least $200 million annually of fruits, vegetables, and other specialty crops, and reminds the Department that farm bill report language expected that the purchases were to be in addition to any existing purchases. So far, USDA has interpreted the farm bill language by counting existing purchases toward the $200 million minimum. In another area, the Senate report notes that it was including, in the committee's recommended increase for AMS, an additional $477,000 (for a total of $1.5 million) for the National Organic Program, which, the report stated, should be used to hire an executive director for the National Organic Standards Board, create a peer review panel to oversee USDA's accreditation process for organic certifiers, and pay expenses for volunteer technical advisers to the program.

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, including in livestock and meat products. GIPSA has been working to improve its understanding and oversight of livestock markets, where increasing concentration and other changes in business relationships have raised concerns among some producers about the impacts of competition on farm prices. As approved by the House, H.R. 2673 provides an FY2004 appropriation of $39.7 million for GIPSA salaries and expenses, the same level as in FY2003 and $2 million below the Administration request. However, the Senate committee bill would cut the GIPSA appropriation to $35.6 million in FY2004, approximately $4 million below FY2003 and $6 million below the Administration request.

In addition to the annual appropriation, another $42.5 million is expected to be collected through existing APHIS user fees. Neither the House-passed nor Senate committee bill assumes adoption of the Administration's proposal for new user fees in FY2004 to replace $28.8 million in appropriations. Approximately $5 million of the proposed new fees would have come from charges for the costs of developing, reviewing, and maintaining official U.S. grain standards; the other $24 million would have 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).

Report language accompanying the House committee bill (H.Rept. 108-193) notes that no resources are provided for packer audits. The Administration requested $1 million in FY2004 GIPSA funds 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 in its proposal.

The House Appropriations Committee stated in its report (H.Rept.108-193) that it "continues to be concerned about the economic impacts of packer control, feeding, or ownership [of livestock] on local communities." Observing that it had provided FY2003 funding "for a comprehensive, objective study of the issues surrounding a ban on packer ownership," the committee states that it expects the Department to provide regular updates on its progress.

The Administration's 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. The House committee earmarks $600,000 to GIPSA for these purposes.

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 this 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, the Rural Economic Partnership Zones, and the National Rural Development Partnership.

The Senate committee-reported agriculture appropriations bill (S. 1427) recommends a total FY2004 appropriation of $2.588 billion for USDA rural development programs, which in part supports a $10.822 billion loan authorization level for rural economic and community development programs. The Senate-reported measure recommends about $60 million more in budget authority and $1.1 billion more in loan authorization level than recommended by the House-passed bill (H.R. 2673). The two bills are above the Administration's requested appropriation of $2.293 billion to support $7.895 billion in rural development loans. The FY2003 enacted appropriation was $2.777 billion which is expected to subsidize $10.331 billion in loans.

Mandatory Offsets and General Provisions. In general provisions, both the Senate-reported and House-passed bills support the budget request by prohibiting the expenditure of any funds to carry out provisions of several mandatory rural development programs authorized by the 2002 farm bill (P.L.107-171). All of these programs are funded through the borrowing authority of USDA's Commodity Credit Corporation, and do not require an annual appropriation. However, provisions in the appropriations bills prohibit the expenditure of appropriated funds for the salaries and expenses associated with these programs, which effectively blocks funding for these programs. In total, the House bill prohibits $191 million in mandatory rural development spending, while the Senate bill recommends $231 million in reductions.

Both bills prohibit funds for: The Rural Strategic Investment Program (CBO-estimated savings of $100 million); the Rural Firefighters and Emergency Personnel Program ($10 million); Enhancement of Rural Access to Broadband Services ($20 million); and the Renewable Energy Systems and Energy Efficiency Improvements Program ($23 million). Although the House-passed bill also recommends prohibiting mandatory funding for the Value-Added Agricultural Product Market Development Grants program ($40 million), the Senate bill did not oppose mandatory funds for this program. The Senate-reported bill further recommends that no funds be spent to carry out provisions of the Rural Business Investment Program ($80 million). The House bill does not contain this provision.

A floor amendment to the House bill provided an additional $20 million to the Renewable Energy Systems and Energy Efficiency Improvements Program, bringing budget authority to the level authorized in the 2002 farm bill, but doing so through discretionary appropriation. The Senate bill also recommends $23 million in discretionary funds for the program, and urges the Secretary to establish an integrated program "from farm gate to fuel pump" to take advantage of the renewable and sustainable energy industry.

Separately, in other general provisions, the Senate bill provides $3 million for the Northern Great Plains Regional Authority. The Authority was created in the 2002 farm bill and authorized at $30 million each fiscal year, FY2002-FY2007. This is the first year that funding has been recommended for the program. The Senate bill also provides $2 million to the Denali Commission for improving solid waste disposal sites that currently threaten rural drinking water supplies in Alaska.

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. 1427, as reported, recommends $769.5 million in budget authority for the three RCAP accounts, $291.6 million more than requested and approximately $63 million more than the House bill.

Within the various streams of RCAP funding, S.1427 recommends funding of nearly $80 million for the Community Facilities account. This is nearly three times the amount recommended by the House bill, and approximately $16 million less than enacted for FY2003. Within the Community Facilities account, the Senate bill recommends $30 million for High Energy Cost Grants and $25 million for Economic Impact Initiative Grants, for which the House bill made no recommendations. Both measures direct that $6 million of the funding for rural community programs be designated for a Rural Community Development Initiative targeting low-income rural areas and Native American Tribes. The Senate Appropriations Committee also notes that demand for the Community Facilities Program far exceeds available funding. Moreover, the program has, for the first time since its inception in 1974, a negative subsidy rate for FY2004. In report language, the Senate committee encourages the Department to consider establishing a program level of $500,000,000 to meet these demands.

For the Rural Utilities account, the Senate bill recommends $610.6 million, approximately $5 million more than the House bill and $226 million more than requested. The account supports water and waste-water loans and grants and solid waste grants and is, by far, the largest of the three RCAP accounts. As with the House-passed bill, Senate bill language further earmarks RCAP water/waste-water funding for Native American Tribes, providing $24 million, $11 million more than provided by the House bill. Both Senate and House Committee bills also similarly earmark $25 million for water/waste-water systems for the *colonias* along the U.S.-Mexico border. The Senate bill, unlike the House bill, also earmarks $30 million in water/waste-water funding for rural communities and Native villages in Alaska.

Finally, S. 1427 recommends $79 million for the Rural Business Services account, $5 million more than the House recommendation and $3 million more than the budget request. In both bills, recommended subsidies for Business and Industry Guaranteed Loans are $27 million. The Senate measure recommends $4 million and

$1 million more to Rural Business Enterprise Grants and Rural Business Opportunity Grants respectively than the House Committee-reported bill.

Rural Housing Service. For the RHS, S. 1427 recommends a $1.506 billion appropriation, which in part supports a total rural housing loan authorization of $4.353 billion. The Senate-reported appropriation is $18 million less in total budget authority than recommended by the House measure and about $40 million less than requested. This reduced budget authority, however, supports a loan authorization level of $198.5 million more than enacted in FY2003. The Senate recommends a loan authorization level of $4.084 billion for Section 502 single family guaranteed loans, the largest account of the Rural Housing Insurance Fund portfolio. The loan authorization level for this account is slightly less than requested and is approximately $201 million more than enacted for FY2003.

The Senate bill recommends $231.7 million in housing loan subsidies with Section 502 single family loans also accounting for most of the direct subsidies ($165.9 million). This is $18.9 million more in total subsidies than requested, and only slightly less than the House recommendation. The Senate committee-reported bill recommends $49.5 million for Section 515 rental housing subsidies, almost the same as recommended by the House bill.

For the Rural Rental Assistance program, the Senate-reported bill recommends $721.3 million, about $10 million less than recommended by the House-passed bill. The Senate Committee's recommendations for the rural housing assistance grants and the farm labor account are $46 million and $33 million, respectively. The House bill recommends $3 million more than the Senate for the farm labor program and $4 million more for the rural housing assistance grants. Both Senate and House measures recommend approximately $34 million for the mutual and self-help grants.

Rural Utilities Service. As reported by the Senate, S. 1427 recommends a total appropriation of $100.4 million in budget authority for rural utility programs, which supports, in part, a loan authorization level of $6.414 billion. This is $16.7 million more in budget authority than recommended by the House bill and $2.893 billion more in loan authorization than requested. Budget authority for the Rural Electrification and Telecommunications Loan account would decrease by about $4 million from FY2003, but would still provide slightly more the $43 million more in loan level authorization. As with the House bill and as requested by the Administration, S. 1427 would effectively terminate electric and telecommunication loan subsidies, down from $12.4 million in FY2003.

For the Rural Telephone Bank (RTB), the Senate bill provides $173.5 million in loan authorization, the same as enacted for FY2003, but no loan subsidies. The House bill provides neither loan authorization nor direct loan subsidies for RTB, the same as requested by the Administration. In furtherance of the privatization of the RTB, the Senate bill, as with the House bill, also includes the same provision from FY2003 limiting the retirement of Class A stock.

In other RUS programs, the Senate-reported bill recommends a loan authorization level of $300 million for the Distance Learning and Telemedicine program, $250 million more than requested and the same as recommended by the

House bill. The Senate measure also recommends a loan authorization level of nearly $336 million for rural broadband telecommunications, the same as recommended by the House and requested by the Administration. The Senate bill also recommends $40 million in grants for this program, $15 million more than the House recommendation. The Senate Committee recommends $9.1 million for broadband direct loan subsidies, the same as the House measure, and $10 million for grants, $2 million more than the House bill and $8 million more than requested. No funding was provided for broadband direct loan subsidies in FY2003.

By transfer, the Senate bill recommends $30 million for the High Energy Costs Grants program. The House measure recommends no funding for the program and none was requested by the Administration.

Rural Business-Cooperative Service. S. 1427, as reported, recommends an appropriation of $70.7 million for the RBS accounts to support rural business development and expansion. This is close to the same level as recommended by H.R. 2673, and $31.7 million more than requested. Recommended loan authorization levels for the Rural Development Loan Fund are the same as the House measure and the same as requested. Recommended loan subsidies for the program are also the same as the House-passed bill and the same as requested by the Administration ($17.3 million), down slightly from FY2003. The Senate bill also recommends $15. million in loan authorization for the Rural Economic Development Loan account, approximately $1 million less than the House measure and the same as requested. Loan subsidies for the program are the same as requested by the Administration.

Within the RBS appropriation, the Senate bill recommends an appropriation of $14.4 million for the Empowerment Zone/Enterprise Community Initiative (EZ/EC), approximately $3 million less than the House measure and the same as enacted in FY2003. The Administration made no funding request for the program. Several loan and grant programs administered by RBS, however, earmark funds for the EZ/EC program. Funding for Rural Cooperative Development Grants in the Senate-reported bill is $8.9 million, $4 million less than in the House-passed bill and the same as requested. As noted above, both bills provide $23 million in discretionary funding for the Renewable Energy Systems and Energy Efficiency Improvements Program while prohibiting $23 million in mandatory funding for the program.

For more information on USDA rural development programs, see the CRS Electronic Briefing Book, *Agriculture Policy*, page on "Rural Development," at [http://www.congress.gov/brbk/html/ebagr22.html].

Food and Nutrition Programs

The Administration has requested a total appropriation of $44.245 billion for USDA food and nutrition programs in FY2004. 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 House-passed version of the FY2004 agriculture appropriations bill (H.R. 2673) recommends a total of $44.06 billion, which is $2.2 billion more than the FY2003 level, but $185 million less than the Administration's FY2004 request. The Senate- reported bill (S. 1427) proposes total funding of $44.09 billion for the nutrition programs, slightly more than the House bill, with the difference attributable to higher proposed funding for the WIC program.

The food stamp program, the largest of the federal nutrition programs, is expected to serve an average of 20.7 million persons in FY2003. For FY2004, the Administration requests a total of $27.7 billion for food stamp and related programs, most of which ($24.2 billion) is for food stamp program expenses. This funding is expected to provide food stamp program benefits to an average of 21.6 million persons in FY2004. The House and Senate bills would provide the same total amount for these programs and activities as the Administration request. Each of the proposals recommends $24.2 billion for food stamp expenses, which include the cost of food benefits and administration, and the Food Distribution Program on Indian Reservations (FDPIR), an alternative to food stamps for those living on or near Indian Reservations. Each of the proposals also recommends $1.403 billion for Nutrition Assistance for Puerto Rico and Samoa, a reserve fund of $2 billion, and $140 million (the same as in FY2003) to buy commodities for distribution to the needy under the emergency food assistance program (EFAP).

Child Nutrition programs would receive a total budget authority of $11.4 billion (not counting commodity donations of $400 million) under the Administration's FY2004 budget and the House-passed and Senate-reported bills, although both bills would transfer $100 million more than the Administration from the Section 32 account in order to accomplish this total. Child nutrition funding is used to assist with the costs of meal service programs in schools, child and adult care, and summer and after-school programs, milk programs, and related nutrition and administrative support. The largest program, 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 any of the budget proposals, although new funding is requested to tighten free and reduced price meal eligibility determinations, and proposals for changes to the authorizing legislation are expected during the 108th Congress. [5]

The Administration's FY2004 proposal for the WIC program, which provides monthly food packages to low-income pregnant and postpartum mothers and children under age 5, totals $4.77 billion, $73.2 million more than the FY2003 amount. The Administration request reflects a $25 million contingency fund, rather than the $125 million reserve approved for FY2003. H.R. 2673, as passed by the House, proposes to fund WIC at a total of $4.588 billion in FY2004. This is $9.3 million less than the funding available for FY2003 and $181,000 less than the Administration request, and it includes a contingency reserve fund of $150 million. The Senate Committee proposal would fund WIC at $4.64 billion in FY2004, slightly more than the House, and slightly less than the Administration. The Senate Committee report (S.Rept.

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[5] Several child nutrition programs and WIC are due to expire at the end of FY2004; legislation reauthorizing these programs and revising some of the permanently authorized programs (e.g., the school lunch, school breakfast, child and adult care food, special milk) is expected in the 108th Congress.

108-107) justifies this level of funding by asserting that updated budget estimates in February showed lower than originally projected WIC participation rates in FY2003, and a slight decrease in the food package costs. According to the Administration, there will be $125 million in unexpended reserve funds from FY2003 that can be used in FY2004, which may explain why it proposed to reduce the contingency reserve to $25 million. The level requested by the President is projected by the Administration to serve a monthly average of about 7.8 million women and children in FY2004. The Senate contends that it's funding level will be adequate to maintain the 7.8 million monthly average. The Administration also proposes to remove the use of WIC funds for the Farmers' Market Nutrition Program (FMNP), which provides coupons to WIC participants to buy fresh foods at farmers' markets by including funding for this program under the Commodity Assistance Program (CAP; see below). The House proposal concurs with this change, but the Senate does not. The Senate bill would keep funding of $25 million for the FMNP as part of the WIC appropriation. It also would provide that $5 million of WIC funds be used to fight childhood obesity.

The Commodity Assistance Program (CAP) is a category of funding created by appropriators to combine funding for a variety of commodity donation programs authorized by several agriculture laws. Both the Administration and House committee bill propose 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), which 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. It also includes $20 million for the FMNP, formerly funded under the WIC account, and $50 million in administrative funds for the emergency food assistance program, the same as in FY2003. No funding would be provided for the Senior Farmers' Market Program under the CAP category; it would be funded with CCC funds, as directed by the 2002 farm bill (P.L. 107-171). Funding of $1.07 million is proposed to be included under the CAP account for food donations for disasters and the nuclear affected islands. This currently is funded under the Food Donations Program. The House proposal concurs with all of the Administration CAP proposals, except for transfer of food donations, which would continue to be funded separately at $1.07 million in FY2004. As reported, S. 1427 proposes to fund CAP at a total of $145.7 million, rejecting both the Administration and House proposals that would have added to CAP funding with FMNP funds normally provided as part of WIC.

Food and Drug Administration (FDA)

The Food and Drug Administration (FDA), an agency of the Department of Health and Human Services (DHHS), is responsible for regulating the safety of foods, drugs, biologics (e.g., vaccines), and medical devices. The agency is funded by a combination of congressional appropriations and various user fee revenues, assessed primarily for the pre-market review of drug and medical device applications. The total amount of user fees to be collected each year is set in FDA's annual appropriations act. For FY2004 the House-passed agriculture appropriations bill

(H.R. 2673) gives FDA an appropriation of $1.395 billion, an increase of $14.1 million over the $1.381 billion appropriated for FY2003, but $10.9 million less than the Administration request of $1.406 billion. The Senate-reported version of the measure (S. 1427) provides an appropriation of $1.392 billion, $3 million less than the House. The appropriations cover two accounts: salaries and expenses (over 99% of the total) as well as buildings and facilities.

User Fees

In addition to the appropriations, both the House and Senate bills allow for $302.2 million in total FY2004 user fees as requested by the Administration, which is 12% higher than the $270.5 million in user fees set for FY2003. Total user fee revenues, which have risen steadily over the past 10 years, account for nearly 18% of FDA's total budget.

The Prescription Drug User Fee Act (PDUFA), reauthorized as part of the 2002 Public Health Security and Bioterrorism Preparedness and Response Act (P.L. 107-188), allows FDA to collect user fees for the review of drug and biologic applications. The President's FY2004 budget, and the House and Senate bills set these fees at $249.8 million, an increase of $26.9 million over the $222.9 million for FY2003. In addition, the new Medical Device User Fee and Modernization Act (MDUFMA) of 2002 (P.L. 107-250) authorizes the agency to charge user fees for medical device applications as well. The President's FY2004 request and both bills recommend $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; both the House and the Senate committee recommendation set their total at $23.2 million.

The FY2004 budget request also calls for $5 million in proposed new user fees for animal drugs, but the House bill refuses to accept this amount, noting that the user fees are not currently authorized by law. Moreover, the House committee said it does not recommend establishing fees in appropriations acts, but would consider such fees should they receive authorization. Legislation (H.R. 1260) authorizing animal drug user fees was introduced on March 13, 2003. The Senate bill and report are silent on this issue.

Counterterrorism

Both the House-passed and Senate-reported appropriations bills consolidate most of FDA's FY2004 counterterrorism activities under the category of food safety as part of the overall DHHS strategy to protect the nation's food supply. A $20.5 million increase, the same as the request, is provided for counterterrorism activities, including $5 million for grants to states, $5 million for laboratory protection, and another $10.5 million to support FDA's new food facility registration system. The facility registration requirement, mandated by the Bioterrorism Act of 2002, requires all food facilities, both domestic and foreign, to register with the FDA before December 12, 2003.

Food

Both committee reports continue to support research at the New Mexico University Laboratory to develop rapid test methods for microbiological pathogens found in fruits and vegetables and to develop models and data analysis to facilitate implementation of FDA's rules on food safety, homeland security, bioterrorism, and other initiatives. In addition, the House committee asked to be kept aware of the status of several pending food-related issues including: the National Advisory Committee on Microbiological Criteria for Food's advice on how to set "use-by" dates for refrigerated ready-to-eat foods to help reduce foodborne listeriosis; the agency's new standard of identity for yogurt after the public comment period for its proposed rulemaking closes; and the status of an industry petition to use ultra-filtered milk, casein, or milk protein concentrates in cheese manufacturing. The Senate committee urges FDA to continue support for the National Center for Food Safety and Technology in Illinois, and continue food plant inspections in Alaska.

Seafood

In report language, the House and Senate appropriators said they expect FDA to devote no less than $200,000 to continuing work with the Interstate Shellfish Sanitation Commission (ISSC) and at least $250,000 to promoting educational and research activities related to shellfish safety in general and *Vibrio vulnificus* in particular. On other seafood safety issues, the House requires FDA to produce a report by January 1, 2004, describing its current efforts for controlling temperature requirements for imported seafood, while the Senate committee urges FDA to promote new cost-effective technologies that control the temperature. The House report asked for a report on the sampling frequency and violation rates for chloramphenicol contamination in farm-raised imported shrimp, while the Senate committee encourages FDA to increase the frequency of inspections. The Senate committee also urges FDA to consider Hawaii's special fishing history in approving its HACCP plans, monitor the safety of the use of additives and dyes in seafood, and track levels of mercury in frequently consumed seafood.

Drug Issues

Congress continues to acknowledge that the timely FDA approval of generic drugs plays an important role in addressing the high cost of prescription drugs. For FY2004, the House-passed bill makes available $53.8 million for the agency's generic drug program, an $8 million increase over the FY2003 level but $5 million less than the $13 million increase called for in the budget request. The Senate-reported bill provides $52.8 million for the same program. Nonetheless, both the House and Senate committee reports say that this funding, coupled with the pay cost increases for the program, will allow FDA to hire 28 more reviewers and inspectors to review at least 85 percent of generic drug applications within 6 months of submission. Separately, on June 19, 2003, the Senate agreed to an amendment on the Medicare prescription drug and reform bill (S. 1) that would modify the Hatch-Waxman Act, and, in so doing, facilitate quicker access to less costly generic drugs for consumers; the House Medicare reform bill (H.R. 1) has a similar provision.

In other areas related to the cost of pharmaceuticals, the House adopted an amendment that would block FDA from preventing individuals from importing cheaper FDA-approved prescription drugs from foreign suppliers. A separate House-adopted amendment expects FDA to report to the committee on the benefits and costs of running an educational campaign (aimed at physicians and medical students) about the efficacy and cost differential between generic and brand-name drugs. The Senate was silent on both of these issues. Congress is currently considering other legislation, including provisions in the Medicare reform bills, to address the issue of prescription drug imports.

The House-passed appropriations bill provides a $700,000 increase for FDA's over-the-counter (OTC) drug program, instead of the $1,000,000 increase requested in the President's budget. Noting the important role that OTC drugs play in the nation's healthcare system, the House stipulated that the additional funds be used to hire and train five additional FTEs to improve the OTC drug review process and work towards finalizing OTC drug monographs. The Senate-reported appropriations bill recommends a $600,000 increase for the program. For grants and contracts under the Orphan Products Grants Program, the House bill appropriates $13.4 million and the Senate bill makes available $13.3 million, the same as the FY2003 level.

Both committee reports acknowledge possible interest in establishing a monograph system for prescription drug products that have been marketed for a long period of time without a premarket approval and without any apparent safety problems, similar to the present monograph system for OTC drugs. They direct FDA to prepare a report for the House and Senate Appropriations Committees (and the Senate Health, Education, Labor, and Pensions Committee, as directed by the Senate report) regarding the feasibility and cost of a new monograph system for prescription drugs.

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 House-passed agriculture appropriations bill (H.R. 2673) concurs with the Administration request for 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. The Senate-reported version of the bill (S. 1427) provides $90.4 million, or $2 million more than the House level and the Administration request.

Table 3. USDA and Related Agencies Appropriations, FY2004 House Bill, Senate Bill, and Budget Request vs. FY2003 Enacted

(Budget Authority, in millions of $)

Agency or Major Program	FY2003 Enacted (1)	FY2004 Administration Request	FY2004 House-Passed Bill	FY2004 Senate-Reported Bill	FY2004 Enacted
Title I — Agricultural Programs					
Agric. Research Service (ARS) Regular Appropriation Supplemental (P.L. 108-11)	1,155.5 110.0	1,011.3 0	1,049.9 0	1,091.5 0	***
Coop. State Research Education and Extension Service (CSREES)	1,117.2	1,003.4	1,108.5	1,117.8	***
Economic Research Service (ERS)	68.7	76.7	71.4	69.9	***
National Agric. Statistics Serv.(NASS)	138.4	136.2	129.8	128.9	***
Animal and Plant Health Inspection Service (APHIS)	692.7	699.9	730.5	710.5	***
Agric. Marketing Service (AMS)	91.5	91.8	92.7	94.0	***
Grain Inspection , Packers and Stockyards Admin. (GIPSA)	39.7	41.7	39.7	35.6	***
Food Safety & Inspection Serv. (FSIS)	754.8	797.1	785.3	783.8	***
Farm Service Agency (FSA) Salaries and Expenses	970.4	1,016.8	1,016.8	988.8	***
FSA Farm Loans - Subsidy Level	226.8	210.7	200.2	194.3	***
**Farm Loan Authorization*	*3,912.1*	*3,518.4*	*3,385.6*	*3,248.5*	***
FSA Farm Loans- Salaries and Administrative Expenses	285.3	298.1	298.1	291.0	***
Risk Management Agency (RMA) Salaries and Expenses	70.2	78.5	71.5	71.4	***
Federal Crop Insurance Corp. Fund (2)	2,886.0	3,368.0	3,368.0	3,368.0	***
Commodity Credit Corp. (CCC) (2)	16,285.0	17,275.0	17,275.0	17,275.0	***
Other Agencies and Programs	564.5	665.6	501.8	556.2	***
Total, Agricultural Programs Regular Appropriation Supplemental Appropriations	**25,346.7 110.0**	**26,770.8 — -**	**26,739.2 — -**	**26,776.7 — -**	***
Title II — Conservation Programs					
Conservation Operations	819.6	703.6	850.0	826.6	***
Watershed Surveys and Planning	11.1	5.0	11.1	10.0	***
Watershed & Flood Prevention	109.3	40.0	90.0	55.0	***

Agency or Major Program	**FY2003 Enacted (1)**	**FY2004 Admini-stration Request**	**FY2004 House-Passed Bill**	**FY2004 Senate-Reported Bill**	**FY2004 Enacted**
Watershed Rehabilitation Program	29.8	10.0	40.0	29.8	***
Resource Conservation & Development	50.7	49.9	52.9	51.0	***
Farm Bill Technical Assistance	0	432.2	0	0	***
Total, Conservation	**1,021.3**	**1,241.6**	**1,044.8**	**973.2**	***
Title III — Rural Development					
Rural Community Advancement Program (RCAP)	901.8	477.9	701.0	769.5	***
Salaries and Expenses	144.8	147.5	146.5	140.9	***
Rural Housing Service (RHS)	1,567.4	1,546.1	1,523.9	1,505.7	***
* *RHS Loan Authority*	*4,154.3*	*4,319.0*	*4,364.7*	*4,352.8*	***
Rural Business-Cooperative Service	50.3	39.0	71.6	70.7	***
* *RBCS Loan Authority*	*54.6*	*55.0*	*56.1*	55.0	***
Rural Utilities Service (RUS)	112.0	81.3	83.6	100.4	***
* *RUS Loan Authority*	*6,035.1*	*3,521.0*	*5,291.0*	*6,414.5*	***
Total, Rural Development	**2,777.0**	**2,292.6**	**2,527.2**	**2,587.8**	***
* *Rural Development, Total Loan Authority*	*10,244.1*	*7,895.0*	*9,711.8*	*10,822.3*	***
Title IV — Domestic Food Programs					
Child Nutrition Programs	10,580.1	11,418.4	11,418.4	11,418.4	***
WIC Program	4,696.0	4,769.2	4,588.3	4,639.2	***
Food Stamp Program	26,313.7	27,746.0	27,746.0	27,746.0	***
Commodity Assistance Program	163.4	166.1	166.1	145.7	***
Food Donation Programs	1.1	0	0	0	***
Nutrition Programs Administration	135.7	144.8	140.5	138.3	***
Total, Food Programs	**41,890.6**	**44,245.4**	**44,060.0**	**44,088.3**	***
Title V — Foreign Assistance					
Foreign Agric. Service (FAS)	129.1	140.8	133.9	131.6	***
Public Law (P.L.) 480 Regular Appropriation Supplemental (P.L. 108-11)	1,334.7 369.0	1,320.9 0	1,327.9 0	1,326.0 0	***
McGovern-Dole International Food for Education Program	0	50.0	56.9	25.0	
CCC Export Loan Salaries	4.0	4.3	4.3	4.15	***

Agency or Major Program	FY2003 Enacted (1)	FY2004 Administration Request	FY2004 House-Passed Bill	FY2004 Senate-Reported Bill	FY2004 Enacted
Total, Foreign Assistance **Regular Appropriation** **Supplemental**	**1,467.8** **369.0**	**1,516.0** **0**	**1,523.0** **0**	**1,486.8**	***
Title VI — FDA & Related Agencies					
Food and Drug Administration	1,381.1	1,406.1	1,395.2	1,392.2	***
Commodity Futures Trading Commission (CFTC)	85.4	88.4	88.4	90.4	***
Total, FDA & CFTC	**1,466.5**	**1,494.6**	**1,483.7**	**1,482.6**	***
Title VII — General Provisions (3)	**273.7**	**0**	**8.5**	**8.5**	***
Total, before adjustments:					
Regular Appropriations **Supplemental Appropriations**	**74,245.3** **479.0**	**77,561.1** **0**	**77,386.3** **0**	**77,403.9** **0**	***
Grand Total	**74,724.3**	**77,561.1**	**77,386.3**	**77,403.9**	***
CBO Scorekeeping Adjustments (4)	-141.2	68.0	106.0	89.0	***
Grand Total, Including CBO Scorekeeping Adjustments and Emergency Spending	**74,582.0**	**77,629.1**	**77,492.3**	**77,492.9**	***
Addendum: **Division N, Title II (P.L. 108-7)** **Disaster Assistance Provisions (5)**	**3,084.0**	**0**	**0**	**0**	***

Source: Based on spreadsheets provided by the House and Senate Appropriations Committees

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. The House version of the FY2004 bill contains $5 million for the Tree Assistance Program, $3 million for Hunger Fellowships, and $499,000 for the National Sheep Industry Improvement Center. The Senate version has $3 million for Hunger Fellowships, $3 million for the Northern Great Plains Regional Authority, $2 million for the Denali Commission, and $499,000 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.