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Agriculture and Related Agencies: FY2006 Appropriations

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The annual consideration of appropriations bills (regular, continuing, and supplemental) by Congress is part of a complex set of budget processes that also encompasses the consideration of budget resolutions, revenue and debt-limit legislation, other spending measures, and reconciliation bills. In addition, the operation of programs and the spending of appropriated funds are subject to constraints established in authorizing statutes. Congressional action on the budget for a fiscal year usually begins following the submission of the President's budget at the beginning of the session. Congressional practices governing the consideration of appropriations and other budgetary measures are rooted in the Constitution, the standing rules of the House and Senate, and statutes, such as the Congressional Budget and Impoundment Control Act of 1974.

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

NOTE: A Web version of this document with active links is available to congressional staff at [http://beta.crs.gov/cli/level_2.aspx?PRDS_CLI_ITEM_ID=73].

Agriculture and Related Agencies: FY2006 Appropriations

Summary

The Senate passed the FY2006 agriculture appropriations bill (H.R. 2744, S.Rept. 109-92) by a vote of 97-2 on September 22, 2005. This bill includes all of USDA (except the Forest Service), plus the Food and Drug Administration and the Commodity Futures Trading Commission. The $100.2 billion Senate bill contains $17.348 billion in discretionary spending and $82.82 billion for mandatory programs. The discretionary amount is $609 million (+3.6%) above the Administration's request, and $518 million (+3%) more than the House-passed bill. The mandatory level is nearly identical to the House-passed bill and the Administration's request.

The House of Representatives passed the FY2006 agriculture appropriations bill (H.R. 2744, H.Rept. 109-102) on June 8, 2005, by a vote of 408-18. The $99.7 billion bill contains $16.83 billion in discretionary spending, $90 million (+0.5%) above the Administration's request, and constant compared with the FY2005 level. The mandatory level is identical to the Administration's request and is $14.5 billion (+21%) above the mandatory amount for FY2005.

The increase over FY2005 levels is due to greater mandatory spending on farm commodity programs and domestic food assistance. About 83% of the total request is for mandatory programs (primarily the Commodity Credit Corporation, crop insurance, and most food and nutrition programs). The remaining 17% is for discretionary programs, over which appropriators have direct control.

Both the House and Senate versions of H.R. 2744 reject or limit many of the Administration's proposed reductions to many conservation and rural development programs, while concurring with others. Both versions effectively reject the Administration's proposal to redirect $300 million in foreign food assistance funds to purchase food locally in foreign markets rather than buy U.S. commodities. This has proven controversial with farm groups and private voluntary organizations that distribute food aid. Neither measure follows the Administration's proposal to cut formula funds for the state agricultural experiment stations (under the Hatch Act) by 50% and to provide a new pool of competitively awarded grants.

Among the primary differences for conferees to resolve are the $514 million difference between the total amounts in House and Senate versions, and two House amendments that would delay country of origin labeling for meat products and allow prescription drug reimportation. The White House has raised the possibility of a veto if the drug import provision remains in the final bill.

Separate from appropriations, the FY2006 budget resolution (H.Con.Res. 95) includes reconciliation instructions to the agriculture authorizing committees to find program changes saving $173 million in FY2006 and $3.0 billion over five years. Further action depends on how the House and Senate agriculture committees (not the appropriations committees) carry out the instructions.

This report will be updated as events warrant.

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Agriculture and Related Agencies: Appropriations for FY2006

Most Recent Developments

On September 22, 2005, the Senate passed the FY2006 agriculture appropriations bill by a vote of 97-2 (H.R. 2744, S.Rept. 109-92). This bill includes all of the U.S. Department of Agriculture (except the Forest Service), plus the Food and Drug Administration and the Commodity Futures Trading Commission. The $100.2 billion Senate bill contains $17.348 billion in discretionary spending and $82.82 billion for mandatory programs. The discretionary amount is $609 million (+3.6%) above the Administration's request, and $518 million (+3%) more than the House-passed bill. The mandatory level is nearly identical to both the House-passed bill and the Administration's request. The bill awaits action in conference committee.

This report discusses provisions in the House and Senate versions of H.R. 2744 and compares them with the Administration's request and the enacted FY2005 appropriations levels.

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. Similarly, agriculture appropriations bills are not limited to USDA and include related programs such as the Food and Drug Administration and the Commodity Futures Trading Commission, but exclude the Forest Service within USDA.

USDA gross outlays for FY2004 (the most recent fiscal year for which data are available) were $80.1 billion, including regular and supplemental spending. The mission area with the largest gross outlays ($45.4 billion, or 57% 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).

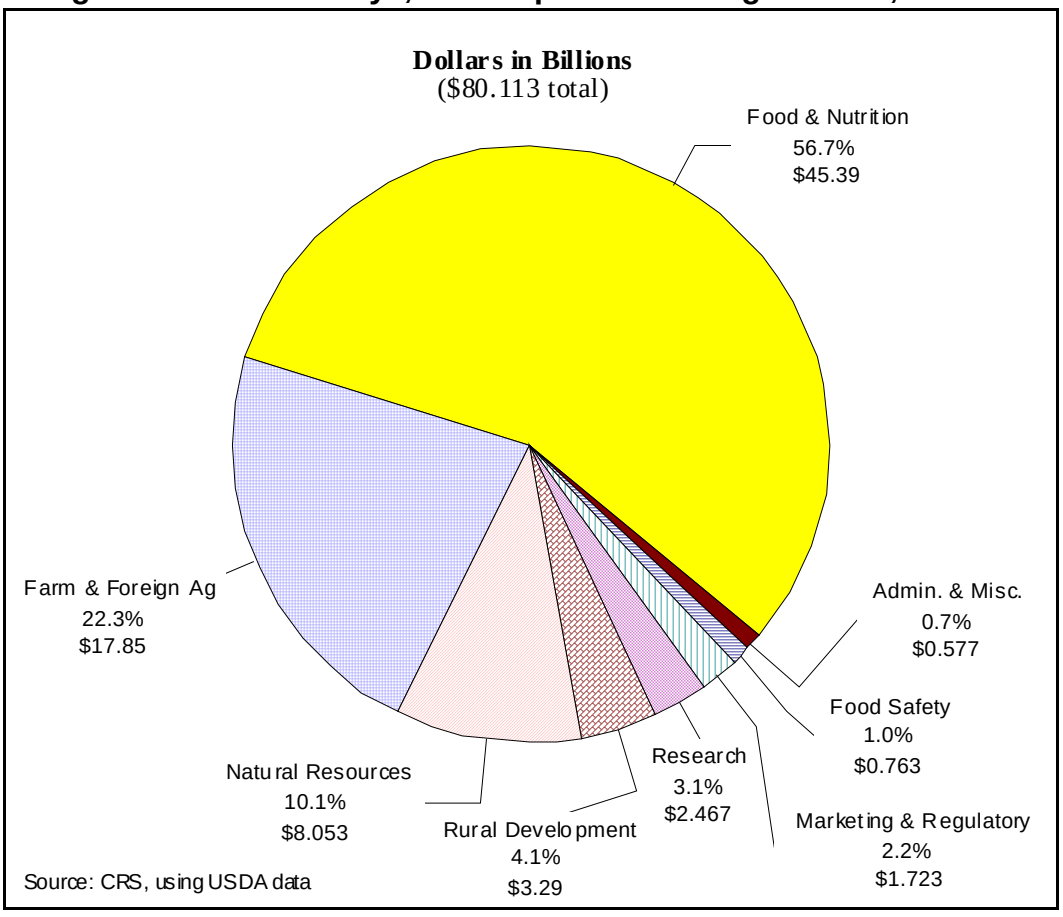
The second-largest mission area in terms of total spending is for farm and foreign agricultural services, which totaled $17.9 billion, or 22% of all USDA spending in FY2003. Within this area are the programs funded through the Commodity Credit Corporation (e.g., the farm commodity price and income support

programs and certain mandatory conservation and trade programs), crop insurance, farm loans, and foreign food aid programs (see **Figure 1**).

Other USDA spending in FY2004 included $8.1 billion (10%) for an array of natural resource and environment programs, approximately 70% 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 funded through the annual agriculture appropriations bill.

The balance of USDA spending was for rural development ($3.3 billion, 4.1%); research and education ($2.5 billion, 3.1%); marketing and regulatory activities ($1.7 billion, 2.2%); meat and poultry inspection ($763 million, 1.0%); and departmental administration and miscellaneous activities ($577 million, 0.7%).

Figure 1. Gross Outlays, U.S. Department of Agriculture, FY2004



Mandatory vs. Discretionary Spending

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 subcommittees of the House and Senate Appropriations Committees originate bills each year that decide how much funding to devote to continuing current activities as well as any new discretionary programs.

Approximately 80% of total spending within the USDA is classified as mandatory, which by definition occurs outside of annual appropriations. The vast majority of USDA's mandatory spending is for the following programs: the food stamp program and most child nutrition programs; 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 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 these estimates fall short of required spending. An annual appropriation also is made to reimburse the Commodity Credit Corporation for losses in financing the commodity support programs and the various other programs it finances.

Table 1. USDA and Related Agencies Appropriations: FY1998 to FY2006 Request

(budget authority in billions of dollars)

	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06 Request
Mandatory	35.8	42.3	62.0	58.3	56.9	56.7	69.8	68.3	82.8
Discretionary	13.8	13.7	14.0	15.1	16.0	17.9	16.8	16.8	16.7
Total Budget Authority	49.6	55.9	75.9	73.4	72.9	74.6	86.6	85.1	99.6

Source: CRS, using tables from the House Appropriations Committee.

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. Amounts reflect any rescissions that were applied to the final appropriation in certain fiscal years.

The other 20% of the USDA budget is for discretionary programs, which with the exception of the Forest Service are funded in the Agriculture appropriations act (Forest Service programs are funded in the Interior appropriations act). Major discretionary programs within USDA include Forest Service programs; certain conservation programs; most rural development programs, 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.

Action on FY2006 Appropriations

On September 22, 2005, the Senate passed the FY2006 agriculture appropriations bill (H.R. 2744, S.Rept. 109-92) by a vote of 97-2, after adopting 38 amendments. Only one amendment reallocated funding; most other amendments restricted use of funds for certain activities, or were Sense of the Senate amendments. The Senate Appropriations committee reported the measure on June 27, 2005, following full committee approval on June 23, 2005, and subcommittee approval on June 21, 2005. The bill includes all of USDA (except the Forest Service), plus the Food and Drug Administration and Commodity Futures Trading Commission. The bill awaits action by the conference committee.

The House approved the FY2006 agriculture appropriations bill (H.R. 2744, H.Rept. 109-102) on June 8 by a vote of 408-18, after adopting 10 amendments and deleting three provisions on points of order. The House Appropriations Committee reported the measure on June 2, 2005, following full committee approval on May 25, 2005, and subcommittee approval on May 16, 2005.

Table 2. Congressional Action on FY2006 Appropriations for USDA and Related Agencies

Subcommittee Approval		Committee Approval		House Passage	Senate Passage	Conference Report	Conference Report Approval		Public Law
House	Senate	House	Senate				House	Senate	
		H.R. 2744 H.Rept. 109-102	H.R. 2744 S.Rept. 109-92	Vote of 408-18	Vote of 97-2				
5/16/05	6/21/05	6/2/05	6/27/05	6/8/05	9/22/05	**	**	**	**

** Pending

The Senate agriculture appropriations subcommittee had a sightly higher 302(b) allocation for discretionary spending ($17.348 billion), compared with the allocation in the House ($16.832 billion). The $100.2 billion Senate-reported bill contains $17.348 billion in discretionary spending and $82.82 billion for mandatory programs. The discretionary amount is $609 million (+3.6%) above the Administration's request, and $518 million (+3%) more than the House-passed bill. The mandatory level is nearly identical to (only $4 million less than) both the House-passed bill and the Administration's request.

The $99.7 billion House-passed bill contains $16.83 billion in discretionary spending and $82.82 billion for mandatory programs. The discretionary amount is $90 million (+0.5%) above the Administration's request, and constant compared with the FY2005 level. The mandatory level is identical to the Administration's request

and is $14.5 billion (+21%) above the mandatory amount for FY2005. See **Table 7** at the end of this report for a tabular summary.

The Administration released its budget request on February 7, 2005. The Administration's FY2006 budget request is $99.6 billion for the U.S. Department of Agriculture and Related Agencies. This total amount is up $14.4 billion (+17%) from the enacted FY2005 level of $85.1 billion,[1] primarily because of the anticipated increase of $9.2 billion (+56%) in FY2006 to reimburse the Commodity Credit Corporation for its realized losses and $6.2 billion (+13%) for increases in mandatory domestic food assistance programs.

Mandatory programs administered by USDA (primarily the CCC, crop insurance, and most food and nutrition programs) account for about 83% of the total authorization. Actual spending for these programs is highly variable and is driven by program participation rates and prevailing economic and weather conditions. Farm commodity program spending is anticipated to be higher in FY2006 due to lower commodity prices, which result in higher counter-cyclical and loan deficiency payments. The remaining 17% of the recommended appropriation is for discretionary programs. This is the category of spending over which appropriators have direct control.

As in past years, in order to meet the FY2006 allocations for discretionary programs, yet meet requests for biosecurity, pay costs, and other programs, appropriators placed limitations on authorized levels of spending in the 2002 farm bill for various mandatory conservation, rural development, and research programs. In total, appropriators recommended reducing authorized FY2006 spending levels for these programs by $1.4 billion in the House bill and $1.3 billion in the Senate bill (compared with $1.3 billion in FY2005), and applied those savings toward meeting the discretionary allocation. For more details, see **Table 3** in the conservation section and **Table 4** in the rural development section of this report.

The Senate adopted two amendments during floor debate that affect the bill generally. The first is an amendment by Senator Coburn, adopted 55-39, requiring that any "limitation, directive, or earmarking" in the House or Senate committee reports be restated in the conference report in order to be considered approved by both chambers. The intent is to improve the transparency of earmarks in the final bill. A similar amendment was rejected in June during debate on the Interior-Environment appropriations bill. However, following adoption in the agriculture bill, the amendment was adopted the next day in the Military Construction-Veterans Administration appropriations bill.

The second is a sense of the Senate amendment by Senator McCain, adopted by voice vote, that would encourage funding for earmarks to be redirected to Hurricane Katrina recovery efforts if such earmarks are determined not to be "of national significance or in the public interest" by agency or department heads in consultation

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[1] All FY2005 figures cited in this report (including the table at the end) reflect the 0.8% across-the-board rescission to all discretionary accounts as required in the FY2005 omnibus measure (P.L. 108-447).

with Congress. A similar amendment was adopted in the Commerce-Justice-Science appropriations bill a week earlier.

Neither the House nor Senate version of the agriculture appropriations bill contains any specific funding for hurricane relief. The bill's Senate sponsors said that the regular appropriation for USDA allows the Department to respond to disasters, and that any additional funds should be appropriated through a dedicated emergency supplemental bill.

Among the primary differences for conferees to resolve are the $514 million difference between the total amounts in House and Senate versions, and two House amendments that would delay country of origin labeling for meat products and allow prescription drug reimportation.

Appropriations Separate From Budget Reconciliation. On April 28, 2005, the House and Senate passed the conference agreement on the FY2006 budget (H.Con.Res. 95, H.Rept. 109-62). In addition to the discretionary budget allocations, the budget agreement also provides reconciliation instructions that the agriculture authorizing committees find program changes to save $173 million in FY2006 and $3.0 billion over FY2006-FY2010. Further action depends on how the House and Senate agriculture committees (not the appropriations subcommittees) carry out the instructions.

The original September 15, 2005, deadline for authorizing committees to report legislation to the Budget committee was postponed a month following the response to Hurricane Katrina. The new deadline for the complete reconciliation package is October 24 in the House and October 26 in the Senate. Authorizing committees are expected to complete their marks about a week earlier. Neither the House nor Senate Agriculture committees have indicated how they plan to achieve the necessary savings. For more information on budget reconciliation for agriculture, see CRS Report RS22086, *Agriculture and FY2006 Budget Reconciliation*, and CRS Report RS21999, *Farm Commodity Policy: Programs and Issues for Congress*.

The following sections of this report review the major recommendations in the Senate-passed and House-passed version of the FY2005 agriculture appropriations measure, and compare them with the Administration's request and the enacted FY2005 appropriations levels. As the appropriations process continues in Congress, this report will be updated to compare the measures. Also, see **Table 7** at the end of this report for a tabular summary.

USDA Agencies and Programs

The appropriations bill for agriculture and related agencies covers all of USDA except for the Forest Service, which is funded through the Interior appropriations bill.

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 also has 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 were provided in response to low farm commodity prices.

The CCC eventually must 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.

Both the Senate-passed bill and the House-passed bill for FY2006 concur with the Administration's request for an FY2006 indefinite appropriation ("such sums as necessary") to the CCC, estimated at $25.690 billion. Although the recommended FY2006 appropriation is about $9.2 billion above the estimated FY2005 appropriation of $16.452 billion, the increase is not because CCC spending is being raised by Congress. Instead, it is tracking changes in the CCC's net realized losses expected to be incurred primarily in the preceding fiscal year (FY2005) under the mandatory authorized provisions of the 2002 farm bill.

Furthermore, the estimated CCC appropriation for FY2006 is not a reflection of expected outlays. USDA also has estimated the projected net outlays for FY2006, but such spending initially will be funded through the borrowing authority of the CCC, and ultimately reimbursed through a future appropriation after FY2006. For FY2006, the Administration projects that CCC net outlays will be $19.805 billion, compared with an estimated $24.065 billion in FY2005. Both years are up considerably from preceding years such as FY2004 when CCC outlays were $10.574 billion.

Administration Legislative Proposals. The Administration's FY2006 budget request also contains legislative proposals to reduce farm commodity programs program spending that, if adopted by Congress, would save, according to the Administration, $587 million in FY2006 and $3.4 billion over five years. The Congressional Budget Office (CBO) has scored the Administration's proposal much differently: with a first-year cost of $266 million in FY2006, and a net reduction of $6.9 billion over five years. The proposals include (1) a 5% across-the-board cut in

all payments received by farmers under the commodity support programs; (2) a tightening of payment limits for these programs from the current level of $360,000 per person to $250,000, making the use of commodity certificates and loan forfeiture subject to the limits, and eliminating the three-entity rule that allows producers to double the payment limits (CBO says the payment limits proposal was not specified sufficiently to score); (3) a requirement that marketing loans be based on 85% of historical crop production rather than 100% of current production; (4) an assessment that would be paid by sugar processors on all marketed sugar; (5) greater flexibility for USDA to adjust government purchase prices for surplus dairy products, in order to minimize government costs of the dairy price support program; and (6) a two-year extension of the MILC (Milk Income Loss Contract). H.Con.Res. 95 (H.Rept. 109-62) includes budget reconciliation instructions that the agriculture authorizing committees find program changes to save $173 million in FY2006 and $3.0 billion over FY2006-10.

Neither the House nor Senate version of the appropriations bill addresses these program changes. However, some legislation could be considered this year in the context of the pending budget reconciliation bill. Further action depends on how the House and Senate agriculture committees (not the appropriations subcommittees) carry out the instructions. The original September 15, 2005, deadline for authorizing committees to report legislation to the Budget committee was postponed a month following the response to Hurricane Katrina. The new deadline for the complete reconciliation package is October 24 in the House and October 26 in the Senate. Authorizing committees are expected to complete their marks about a week earlier. Neither the House nor Senate Agriculture committees have indicated how they plan to achieve the necessary savings.

For more information, see CRS Report RS21999, *Farm Commodity Policy: Programs and Issues for Congress*, and CRS Report RS22086, *Agriculture and FY2006 Budget Reconciliation*.

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. Policies are sold and completely serviced through approved private insurance companies that have their program losses reinsured by USDA. The annual agriculture appropriations bill traditionally 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 pays all other expenses of the program, including premium subsidies, indemnity payments, and reimbursements to the private insurance companies.

Both the House-passed and Senate-passed versions of the FY2006 agriculture appropriations bill (H.R. 2744) concur with the Administration request for such sums as are necessary for the mandatory-funded Federal Crop Insurance Fund (Fund), which the Administration estimates to be $3.159 billion for FY2006, compared with $4.095 billion that was estimated for FY2005 at the time of enactment of the FY2005

appropriations bill. 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. Hence, both the FY2005 and FY2006 estimates for the Fund are subject to significant revision over the course of the year.

For the discretionary component of the crop insurance program, the House-passed version of H.R. 2744 provides $77.8 million for RMA salaries and expenses, while the Senate-passed version contains $73.45 million for RMA. Both chambers are above the enacted FY2005 level of $71.47 million, but below the Administration's FY2006 request of $87.8 million. Included in the House level is $3.6 million requested by the Administration to support RMA's ongoing efforts to reduce waste and abuse within the crop insurance program. For the last several years, mandatory funds from the Fund have been used for this purpose. However, the legislative authority to tap these funds expires at the end of FY2005. As in the past three years, most of the increase requested by the Administration is for various new information technology (IT) initiatives. Over the past couple of years, appropriators have not funded this request. Of the $12 million requested increase for various IT initiatives, the House-passed bill provides $1.5 million, and the Senate-passed version contains $1 million.

The House-passed bill also contains a general provision that prohibits RMA from using any of its FY2006 funds to implement the premium discount plan (PDP). The Senate-passed version is silent on this issue. The PDP allows crop insurance companies that can demonstrate cost savings in their delivery of insurance to sell policies to their customers at a discount. To date, the PDP has been approved for only one company, which has reduced its costs by selling its policies directly to customers online. Independent insurance agents, which sell crop insurance on behalf of the crop insurance companies, are concerned that the PDP reduces their total commissions and damages their profitability. Some farm groups contend that the plan encourages cherry-picking of the best customers and might leave smaller farmers uninsured.

Administration Legislative Proposals. The Administration's FY2006 budget request also contains legislative proposals affecting the crop insurance program that, if adopted by Congress, would save $140 million annually, beginning in FY2007. These proposals include (1) a requirement that farmers purchase a crop insurance policy as a prerequisite for receiving farm commodity income support payments; (2) a two to five percentage point reduction in the portion of the crop insurance premium that is paid by the government on behalf of a participating farmer, with the largest percentage reductions made at the lower levels of insurance coverage; (3) a requirement that producers pay 25% of the premium (up to $5,000) for catastrophic (CAT) crop insurance coverage, instead of the current requirement that a producer pay a $100 administrative fee and no premium; (4) a two percentage point reduction in the reimbursement rate to private crop insurance companies for their administrative and operating expenses. USDA contends that these proposals would encourage farmers to buy-up to higher levels of crop insurance coverage, and possibly preclude the need for *ad hoc* disaster payments, which have been made available on a regular basis by Congress over the past 20 years. The Administration and CBO estimate that these proposals would save more than $500 million over five years.

Neither the House- nor Senate-passed appropriations bill addresses these modifications to the crop insurance program. However, some legislative revisions to the program could be considered this year in the context of the pending budget reconciliation bill. The House and Senate Agriculture Committees were required to report reconciliation legislation to reduce spending by $3 billion over five years on mandatory programs under their jurisdiction. Although it is unknown at this time how these cuts will be made, changes to crop insurance could be part of the package. The budget resolution required the Agriculture Committees (along with other authorizing committees) to submit their legislative recommendations for spending cuts to their respective Budget Committees by September 16, 2005. To date, no action has been taken by the authorizing committees, since congressional attention has been focused on hurricane relief and recovery activities. (For more on budget reconciliation, see CRS Report RS22086, *Agriculture and FY2006 Budget Reconciliation*.)

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 include 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 FY2006, the Senate-passed bill recommends a total appropriation of $1.358 billion for all FSA salaries and expenses, which is $7.3 million below the Administration's request, but $63 million above the FY2005 appropriation. The House-passed bill recommends $1.326 billion, $32 million less than the Senate bill and $39 million below the Administration's request.

Regarding closing and reorganizing county offices, the FY2006 House report reiterates concern expressed in prior years' appropriations reports instructing USDA not to shut down or consolidate any FSA county offices unless rigorous analysis proves such action to be cost-effective. The Senate adopted a floor amendment to prevent office closures unless FSA both demonstrates how the closure would improve cost-effectiveness and program delivery, and reports those findings to the appropriations committees. The Senate's action follows press reports weeks earlier that USDA has plans to close several hundred county offices.

The National Agricultural Imagery Program (NAIP) would receive an increase of $2.9 million under the House-passed bill, and an increase of $2 million under the Senate-passed bill. The House report mentions a $15 million increase to maintain staffing levels being funded in FY2005 by carryover balances from supplemental acts to implement the farm bill. The Senate report recommends $3.3 million to hire additional farm loan officers.

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 amount of loans that can be made, the loan authority, is several times larger.

For FY2006, the Senate-passed bill recommends an appropriation of $150.8 million to subsidize the cost of making $3.743 billion in direct and guaranteed FSA loans. This is $0.5 million *less* in loan subsidy (-0.3%) and $75 million *less* in loan authority (-2%) than the House-passed bill, which recommends an appropriation of $151.4 million to make $3.818 billion of loans.

The House-passed bill concurs with the Administration's FY2006 request for the main direct and guaranteed programs, but does not fund the Administration's request for $25 million in emergency loan authority ($2.7 million in loan subsidy), nor does it grant the Administration's request to reduce the boll weevil eradication loan program by 40%. The Senate-passed bill generally follows the House bill, but the Senate bill basically maintains farm ownership loans and farm operating loans (both subsidized and unsubsidized) at FY2005 levels. Thus the Senate bill recommends a higher amount for farm ownership and subsidized farm operating loans compared to the House bill, and a lower amount for unsubsidized farm operating loans.

Comparing both bills to the Administration's request, the overall loan authority can rise while the loan subsidy falls because both the House and Senate bills restore the boll weevil account and deny the request for emergency loans. Comparing the Administration's request (and the concurring elements of the House bill) to FY2005 levels, the overall loan authority rises while the loan subsidy falls because the guaranteed loan program grows and the direct loan program contracts. The Senate bill does not redirect as much funding from direct to guaranteed loans.

Most of the House's recommended rise in loan authority over FY2005 levels is a $109 million increase in unsubsidized guaranteed farm ownership loans (an increase of about 10%, to $1.2 billion in FY2006). These unsubsidized guaranteed loans can be made with relatively little increase in appropriated funds compared to changes in subsidized or direct loans.

The House bill concurs with the Administration proposal to reduce loan authority for the direct farm ownership program by $8.3 million (-4%) and the subsidized guaranteed operating loan program by $16.5 million (-6%). The Senate bill does not follow this request. The Administration asserts that low interest rates and the strong farm economy make this reduction possible. However, in recent years,

the subsidized guaranteed operating loan program has not been able to meet demand, and qualified farmers have been placed on waiting lists when funds are depleted.

For more information about agricultural credit in general, see CRS Report RS21977, *Agricultural Credit: Institutions and Issues.*

Conservation

The Senate-passed bill provides more funds for discretionary programs ($964.0 million) than the House-passed bill ($939.8 million). Both bills provide less than the FY2005 appropriation ($991.9 million) but more than the FY2006 request ($814.4 million). Both bills reject or limit many of the Administration's proposed reductions from FY2005 funding. Each bill provides some reductions to selected mandatory programs, as shown below in **Table 3**. Even with the reductions in both bills, mandatory funding would rise slightly from $3.897 billion in FY2005 if either of them were enacted in their current form. The House bill identified many of the same priorities as the Administration request, such as helping producers comply with environmental regulations, while the Senate bill does not mention these priorities.

Discretionary Programs. For the discretionary programs, all administered by the Natural Resources Conservation Service, the Senate-passed bill provides $964.0 million, while the House-passed bill provides $939.8 million; both amounts are substantially greater than the Administration's request for $814.4 million. For Conservation Operations (the largest discretionary program), the Senate bill provides $819.5 million while the House provides $773.6 million. Both amounts are less than the FY2005 estimate of $830.7 million, but more than the Administration request for $767.8 million. The reduction requested by the Administration in its proposal was based on a decision not to fund earmarks, which totaled more than $122 million in FY2005 and would have saved an estimated $114.3 million in FY2006. However, both bills reject this proposal and committee reports in both chambers identify numerous earmarks. Both reports state that earmarks should be treated as additions to allocations to states rather than as part of those allocations. The House bill also requires the Chief of NRCS to report on all FY2005 and FY2006 Conservation Operations allocations, by state, within 45 days of enactment. The House bill provides an increase of $14.3 million to assist producers in meeting regulatory requirements, which is about 38% of the Administration request for an additional $37.5 million for this purpose, while the Senate bill does not specify this use of funds. The amount in the House bill also reflects an amendment, adopted on the floor, transferring $20 million from this account to the Small Dam Rehabilitation Program.

Among the other discretionary programs, both bills provides $60 million for Watershed and Flood Prevention Operations (a reduction from $15.0 million in FY2005, but $60 million more than the Administration had requested). The bills differ for each of the other programs. The Senate provides $27.3 million for the Watershed Rehabilitation Program (nearly identical to FY2005), while the House provides (after a floor amendment was adopted) $47.0 million; the Administration had requested $15.1 million. For the Watershed Surveys and Planning Program, the Senate provides $5.1 million (the same amount as the Administration requested), while the House provides $7.0 million (the same amount that was provided in

FY2005). Both bills provide almost level funding from FY2005 for the Resource Conservation and Development Program (RC&D) ($51.2 million in the Senate and $51.4 million in the House); these amounts are substantially more than the Administration request of $25.6 million. In addition, the Senate bill would fund an additional program for the first time by providing $5 million to implement the Heathy Forest Reserve.

In one major change from the Administration's request, both bills include numerous priority projects using funds from the Watershed and Flood Prevention Operations account, but do not earmark specific amounts. The Administration had asserted that elimination of Watershed and Flood Prevention Operations would allow resources to be redirected to other priority "regulatory challenges." In a second major change from the request, both bills reject the Administration's proposed reduction to the RC&D account that would have been based on a change in policy to phase out federal support to participating councils after they had received federal funds for 20 years. Of the 375 participating councils, 189 (50%) would lose funding under this proposal. The House committee report states that changes in funding policy for this program should be based on "effectiveness and performance" rather than of the age of councils, and directs NRCS to develop ways to measure the effectiveness of councils. Finally, no funding was sought or is being provided for the two emergency conservation programs. Typically, those programs are funded in supplemental appropriations legislation in response to specific natural disasters.

Mandatory Programs. Funding for the suite of mandatory conservation programs administered by NRCS would increase slightly over FY2005. However, both bills also limit funding for some of these programs to levels below the authorized amounts; these programs and levels are listed in **Table 3**. During full House consideration of the bill, an amendment was adopted that shifted funds among the mandatory conservation accounts, but did not change the overall funding level for this group of programs.

Neither bill places funding or enrollment limits on the Conservation Reserve Program, which is the only mandatory conservation program not administered by NRCS (it is administered by the Farm Service Agency). This action concurs with the Administration request, and, as a result, program spending is estimated to increase by $79 million to $2.021 billion in FY2006.

All the mandatory programs have authorized dollar or acreage limits either annually or for the life of the authorization, so changes in funding should be compared with these limits, which change from year to year, as well as with funding the preceding year. The largest reductions from FY2005 include the Grasslands Reserve Program (the reduction from $128 million to $0 in the Administration proposal and both bills reflects the allocation of the entire $254 million authorized in the FY2002 farm bill by the end of FY2005) and the Farm and Ranch Lands Protection Program, reduced by $36 million in the House bill (to $74 million).

When compared to authorized levels, the largest reduction in mandatory programs is the Environmental Quality Incentives Program, authorized at $1.2 billion but receiving $1.017 billion in FY2005, which would receive the same funding in FY2006 in the Senate bill and $1.052 billion in the House bill. When other proposed

reductions are viewed this way, the Farm and Ranch Lands Protection Program received $13 million less than its authorized level of $125 million in FY2005 and would receive $36 million less than its FY2006 authorized level of $100 million, while the Wetland Reserve would be limited to enrolling about 100,000 acres less than the 250,000 authorized under both bills as well as the Administration request.

Among the largest increases from FY2005 are the Conservation Reserve Program (up $79 million) and the Conservation Security Program (up $129 million to $331 million in the Senate bill, up $43 million to $245 million in the House bill and up $72 million to $274 million in the Administration request). While the Conservation Security Program would increase under the request, CBO estimated in its January 2005 baseline that it would grow by $254 million in FY2006, rather than the $72 million in the Administration's request.

Table 3. Changes in Mandatory Conservation Programs

Program	FY2005 Enacted (P.L. 108-447): Allowed Level	FY2006 Authorization under 2002 Farm Bill*	FY2006 House bill: Allowed Level	FY2006 Senate bill: Allowed Level
Environmental Quality Incentives Program	$1.017 billion	$1.200 billion	$1.052 billion	$1.017 billion
Conservation Security Program	$202.4 million	$331 million	$245 million	$331 million
Wildlife Habitat Incentives Program	$47 million	$85 million	$43 million	$47 million
Wetlands Reserve Program	154,500 acres	250,000 acres	154,500 acres	150,000 acres
Farm and Ranch Lands Protection Program	$112 million	$100 million	$73.5 million	$100 million
Ground and Surface Water	$51 million	$60 million	$51 million	$51 million
Small Watershed Rehab. Program	$0	$210 million	$0	$0
Ag. Management Assistance	$0	$20 million	$6 million**	$20 million

* Figures in the FY2006 authorized column represent how much would be available under current law, including the carryover of unobligated balances from prior years, had no restrictions been placed.

** Under this program, $14 million of the total goes to NRCS, and that would not be funded; the remaining $6 million, which goes to RMA and AMS, would be fully funded.

Agricultural Trade and Food Aid

The House-passed bill provides $1.441 billion in budget authority for discretionary international activities which include primarily foreign food aid programs under the Agricultural Trade Development and Assistance Act of 1954 (P.L. 83-480) and the salaries and expenses of the Foreign Agricultural Service. The Senate-passed bill contains budget authority of $1.488 billion, with most of the difference accounted for by the Senate's larger appropriation for P.L. 480 food aid.

Both measures reject the President's proposal to purchase commodities in markets near to countries in need rather than from U.S. producers by shifting funds from P.L. 480 to a U.S. Agency for International Development (USAID) disaster and famine assistance fund. Despite some expectations to the contrary, there were no Senate amendments that would have provided some or all of the $300 million requested by the President for purchase of non-U.S. commodities for famine relief (see below).

USDA's international activities also include those funded through the borrowing authority of the Commodity Credit Corporation (CCC). Included in this category are some additional food aid programs, export credit guarantees, market development programs, and export subsidies. USDA estimates that the total program value of discretionary and CCC-funded international activities for FY2006 would be more than $6 billion.

Foreign Agricultural Service (FAS). The House bill recommends an appropriation of $148.2 million for the Foreign Agricultural Service (FAS) which administers USDA's international programs with the exception of P.L. 480 Title II commodity donations, which are administered by USAID. The Senate committee measure provides for $147.9 million. These amounts are about $11 million more than enacted in FY2005, but close to the President's budget recommendation.

Foreign Food Assistance. For P.L. 480 foreign food assistance, the House bill recommends budget authority of $1.187 billion. The recommended budget authority includes $77 million for P.L. 480 Title I (long-term, low-interest loans to food deficit countries for the purchase of U.S. food commodities) and $1.107 billion for P.L. 480 Title II (humanitarian donations for emergency relief and non-emergency development projects). The P.L. 480 Title II request is $222.1 million more than requested in the President's budget. The Senate-passed measure also provides $77 million for P.L. 480 Title I and, for Title II, $1.159 billion, which is $274 million more than the President requested.

The President's budget contained a proposal to shift about $300 million from P.L. 480 Title II to USAID's International Disaster and Famine Assistance account, which would be administered separately from Title II and used to purchase food for emergency relief in markets closer to their final destinations rather than in the United States as required under P.L. 480. This proposal, effectively rejected by both measures, proved controversial with farm groups, agribusinesses and the maritime industry who supply and ship commodities for Title II and with private voluntary organizations who rely on food aid to carry out development projects in poor countries. During House committee deliberations, amendments offered by

Representative Jesse Jackson Jr., to augment P.L. 480 Title II emergency food aid by $393 million and $78 million, respectively, were defeated.

For the McGovern-Dole International Food for Education and Child Nutrition Program, the House bill and the Senate-passed measure both include an appropriation of $100 million. The McGovern-Dole program provides U.S. commodities, funds, and technical assistance to school feeding and child nutrition activities carried out by U.S. private voluntary organizations and the United Nations World Food Program (WFP) in poor countries. This level of budget authority is $13.2 million more than appropriated in FY2005.

Other food aid activities, largely funded by CCC-borrowing, include the Food for Progress Program (FFP), Section 416(b) commodity donations, and the Bill Emerson Humanitarian Trust (BEHT). The President's budget estimates that $137 million of CCC funds would go to the Food for Progress (FFP) program, which provides food aid to developing countries and emerging democracies that are introducing and expanding free enterprise in their agricultural economies. Additional FFP monies would be available from the funds appropriated to P.L. 480 Title I. The budget anticipates that $151 million of CCC-owned nonfat dry milk, about 75,000 metric tons, would be available for food aid programming under Section 416(b) of the Agricultural Act of 1949. Section 725 of Title VII (General Provisions) in the House bill directs the Secretary of Agriculture to make available, "to the extent practicable," $25 million of commodities provided under Section 416(b) to assist in mitigating the effects of HIV AIDS. No program level is indicated in the President's budget for the BEHT, a reserve of commodities and cash that can be tapped in the event of unanticipated need for emergency food aid. The BEHT currently holds 1.4 million metric tons of wheat and $107 million in cash. Section 738 of Title VII (General Provisions) of the House bill limits to $20 million the amount of FY2005 P.L. 480 appropriations that may be used to reimburse the CCC for the release of commodities from the BEHT.

U.S. food aid programs are under discussion in the Doha Round of multilateral trade negotiations, being carried out under the auspices of the World Trade Organization (WTO). Negotiations could result in food aid programs being subject to more stringent regulations as WTO member countries have agreed to eliminate food aid that displaces commercial sales. Furthermore, negotiators are examining the question of providing food aid fully in grant form as well as the role of international organizations vis-a-vis WTO member countries' bilateral food aid programs. U.S. negotiators have endorsed the concept that food aid should not displace commercial sales, but are aggressively defending U.S. bilateral, in-kind food aid programs as needed to enhance food security in poor, developing countries.

Export Credit Guarantees. CCC Export Credit Guarantee Programs guarantee payment of commercial financing of U.S. agricultural export sales. The President's budget estimates a program level for export credit guarantees of $4.4 billion, none of which would receive a discretionary appropriation. Most guarantees — $3.4 billion — are for commercial credits with short-term repayment terms (up to three years). Another $1 billion would be guarantees for supplier credits where short-term financing is extended directly to importers for the purchase of U.S.

agricultural products. The CCC repays commercial lenders when foreign borrowers default on loans.

Export credit guarantees are also on the agenda of the current Doha Round of multilateral trade negotiations. The United States has agreed to eliminate trade-distorting aspects of such programs in exchange for the elimination of all agricultural export subsidies by the European Union. In addition, an appeals panel in the recently decided U.S.-Brazil cotton dispute ruled that U.S. export credit guarantees are effectively export subsidies, making them subject to previously notified export subsidy reduction commitments. To bring its export credit guarantee programs into conformity with the WTO ruling, USDA has announced changes in the program to make it more risk-based. USDA also announced the termination of intermediate credit guarantees (three to seven years).

Export Promotion and Export Subsidies. USDA's export promotion programs include the Market Access Program (MAP), which primarily promotes sales of high value products, and the Foreign Market Development Program (FMDP), which mainly promotes bulk commodities. The President's budget provides CCC funding of $125 million for MAP, $15 million less than the FY2005 level and $75 million less than authorized in the 2002 farm bill. A Chabot amendment to prohibit funds from being used to carry out MAP activities failed by a recorded vote of 66 to 356. For FMDP, the budget allocates $34.5 million, the same as in FY2005; the Senate bill's report (S.Rept. 109-92) instructs FAS to fund FMDP at no less than the FY2005 level.

For export subsidy programs, the budget allocates $28 million to the Export Enhancement Program (EEP) and $52 million to the Dairy Export Incentive Program (DEIP). EEP has been little used in recent years and, in FY2005, EEP subsidies were zero. DEIP subsidies would exceed their FY2005 level by $46 million. The President's request also includes $90 million for Trade Adjustment Assistance to Farmers, the maximum amount allowed in the authorizing statute, the 2002 Trade Act. Under this program, USDA makes payments to farmers when the current year's price of an agricultural commodity is less than 80 percent of the five-year national average and imports have contributed importantly to the decline in price.

(For additional information, see CRS Issue Brief IB98006, *Agricultural Export and Food Aid Programs*, updated regularly. For information on WTO negotiations on agricultural export subsidies, export credit guarantees, and food aid, see CRS Report RS21905, *Agriculture in the WTO Doha Round: The Framework Agreement and Next Steps*.)

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 distributes federal funds to the land grant Colleges of Agriculture to provide partial support 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).

The USDA research, education, and extension budget, when adjusted for inflation, remained essentially flat in the period from FY1972 through FY1991. From FY1992 through FY2000, the mission area experienced a 25% increase (in deflated dollars) over the previous two decades. Annual increases have since moderated, and supplemental funds appropriated specifically for anti-terrorism activities, not basic programs, accounted for most of the 10% increase in FY2001. Although the states are required to provide 100% matching funds for federal funds for research and extension, most states have regularly appropriated two to three times that amount. Fluctuations in state-level appropriations can have significant effects on state program levels, even when federal funding remains stable. Cuts at either the state or federal level can result in program cuts felt 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, however, annual agriculture appropriations acts prohibited the use of those mandatory funds for the purposes the Agriculture Committees intended. Instead, from FY1999 through FY2002, and in FY2004 and FY2005, appropriations conferees provided more funding for ongoing REE programs than was contained in either the House- or Senate-passed versions of the bills. Nonetheless, once adjusted for inflation, these increases do not translate into significant growth in spending for agricultural research. Agricultural scientists, stakeholders, and partners express concern for funding over the long term in light of high budget deficit levels and lower tax revenues.

The Senate-passed version of H.R. 2744 contains a total of $2.67 billion for USDA's research, extension, and economics mission area for FY2006. This amount is $200 million higher than the House-passed version of the bill, and almost level with the current fiscal year appropriation of $2.65 billion.

Agricultural Research Service. The Senate-passed measure provides $1.27 billion in total for ARS ($1.29 billion in FY2005), compared to $1.12 billion provided in the House-passed version. Of the $1.27 billion, $1.1 billion would support ARS's research programs (the House allowance is $1.0 billion). As in past years, Senate appropriators concurred with the House in rejecting the Administration's proposal to terminate a large number of earmarked ARS research projects. The Senate measure contains $160.6 million to support the modernization and construction of ARS laboratory facilities (compared to $87.3 million in the House-passed measure). In FY2005, $186.3 million is available for facility construction.

The $160.6 million for ARS facility construction in the Senate-passed version would cover 21 building projects, compared to eight in the House-passed version. Both measures would provide the full funding that the Administration proposed

($58.8 million) for continued construction of the National Centers for Animal Health (formerly known as the National Animal Disease Center) in Ames, Iowa.

Cooperative State Research, Education, and Extension Service. The Senate-passed measure contains $1.17 billion total in FY2006 for CSREES, compared to $1.13 billion in the House-passed version. The current appropriation is $1.16 billion. Of the $1.17 billion total, the Senate would allocate $652.2 million to support state-level research and academic programs ($662.5 million in the House version, and $655.5 million in FY2005); $453.4 million for Extension programs ($444.9 million in the House version and $445.6 million in FY2005); and $55.8 million for integrated programs that have both research and extension components ($15.5 million in the House measure, and $55 million in FY2005).

Senate appropriators concurred with the House in rejecting the Administration proposal to cut formula funds for the state agricultural experiment stations (under the Hatch Act) by 50% and to provide a new pool of $75 million for distribution through competitively awarded grants, plus an additional $70 million ($250 million total) for the National Research Initiative (NRI), the primary existing competitive grants program in agriculture. Experiment station directors traditionally have used formula funds (a form of block grant), which are relatively stable from year to year, to support the core, ongoing agricultural research programs in each state. Both the Senate and the House also turned back an Administration proposal to shift half of the formula funds for cooperative forestry research to competitive grants, and to eliminate formula funds to states for animal health and disease research, also with the aim of supporting such research in the future with competitive grants.

Viewed as a whole, the Administration proposal reflected a policy change that has been under discussion among agricultural scientists, administrators, and policymakers for quite some time. In a 1989 report, and subsequent reports, the National Academy of Science has recommended that a greater proportion of USDA research money be distributed competitively rather than by formula or by direct appropriation (as ARS is funded). The House and Senate Agriculture Committees have raised authorized funding levels for competitive grants in past farm bills and other related legislation, and tapped new sources of mandatory money for competitive grants. These changes would allow the funds allocated to competitive grants to grow in relation to direct appropriations for research. The FY2006 budget request marks the first time that an Administration has directly proposed a budget reflecting a shift in funding mechanisms toward more competitive grants. Historically, however, annual appropriation acts have maintained the customary proportion between competitive and non-competitive mechanisms for distributing federal agricultural research dollars (roughly 10/90).

Both the Senate- and the House-passed bills maintain level funding with FY2005 for Hatch Act formula funds ($178.7 million), and level funding for forestry and animal health research ($22.2 million and $5.06 million, respectively, in FY2005). The Senate bill contains $190 million for the NRI competitive grants program, and the House measure contains $214.6 million. Senate appropriators, like their House counterparts, also rejected the Administration's request to significantly scale back special (earmarked) research and extension projects. The Senate bill

contains $171 million in earmarked project funds, and the House would provide $147.8 million ($167.7 million in FY2005).

The Senate-passed funding bill agrees with the House in providing a $1 million increase above FY2005 in funding for research at the 1890, historically black, land grant Colleges of Agriculture ($37.7 million); level funding ($12.3 million) for 1890s research capacity building; roughly an $800,000 increase in funds for 1890 extension programs ($33.6 million in the Senate measure, $33.9 million in the House); and level funding ($17 million) for grants to improve extension facilities at 1890 schools. Both measures would provide $12 million for the endowment fund for Native American post-secondary institutions, as in FY2005, and they are very close in their allocations for research and extension at the tribal institutions ($1.1 million and $3.2 million, respectively in the Senate bill; and $1 million and $3.3 million, respectively, in the House bill). Both measures would provide level funding ($276 million) for formula-funded extension programs at the 1862 land grant universities.

CSREES administers two competitive grant programs that are authorized to be funded by mandatory transfers of unobligated government funds. The largest of these is the Initiative for Future Agriculture and Food Systems (IFAFS), which is authorized to receive $160 million in FY2006. Starting in FY2002, annual appropriations acts have blocked CSREES from operating the IFAFS program. In FY2004 and FY2005, appropriations conference report language allowed the Secretary to award up to 20% of the appropriation for the NRI competitive grants program using IFAFS program criteria (approximately $35 million in FY2005; $30 million in FY2004). Both measures block IFAFS funding except to administer and oversee previously awarded grants (section 719), and would continue the practice of allocating a percentage of NRI competitive grant funds for IFAFS purposes (20% in the Senate version, 22% in the House). The goal of both IFAFS and the NRI is to support fundamental research on subjects of national, regional, or multistate importance to agriculture, natural resources, human nutrition, and food safety, among other things.

The second CSREES grant program authorized to use mandatory funds supports research and extension programs on organic agriculture. The 2002 farm act authorizes $3 million annually through FY2007 for this program. Neither the Senate nor the House measure contains language that would change program funding in FY2006.

Economic Research Service (ERS) and National Agricultural Statistics Service (NASS). The Senate-passed version of H.R. 2744 provides $78.5 million for USDA's Economic Research Service. This amount is slightly higher than the House-passed bill ($75.9 million), slightly less than the Administration's request ($80.7 million), and $4.3 million more than the current fiscal year appropriation ($74.2 million). Committee language requires ERS to continue the initiative to gather production and market data for the organic agriculture industry, and requests the agency to study the economic effects of agricultural cooperatives on rural communities and residents.

Senate appropriators provide $145.2 million for the National Agricultural Statistics Service, an amount almost $17 million higher than FY2005 funding, $7

million more than contained in the House-passed version, and level with the Administration's request.

Meat and Poultry Inspection

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 House-passed bill appropriates $837.3 million for FSIS in FY2006, below the President's request for $849.7 million for FSIS but $20.1 million above the FY2005 enacted level of $817.2 million. The Senate bill provides $836.8 million. The President's budget proposed that new user fees cover $139 million of the $849.7 million FSIS request. However, neither the House nor Senate version endorses such fees.

When it released its FY2006 budget proposal, the Administration said that it would offer draft legislation to collect the fees to cover inspection costs beyond a plant's single primary approved shift. The Administration has included the expanded user fee proposal in the past three years' budget requests, and previous administrations have proposed that more inspection activities be funded through user fees. Administration officials have asserted that the fees are needed to achieve budgetary savings without compromising food safety oversight, and that producer and consumer price impacts would be "significantly less than one cent per pound of meat, poultry, and egg products." Congress has never agreed with these proposals, responding that assuring the safety of the food supply is an appropriate function of taxpayer-funded federal government. The appropriations committees also have reminded the Administration that user fee proposals are within the purview of the authorizing committees, not theirs. FSIS has been authorized since 1919 to charge user fees for holiday and overtime inspections. Income from existing user fees (plus trust funds) will add approximately $123 million to the FSIS program level (beyond appropriated levels) in FY2006, according to USDA.

Within the House-passed bill's $837.3 million for FSIS is an increase of $6.7 million for food defense activities, including $2.8 million for agency participation in the Food Emergency Response Network, $2.5 million to upgrade laboratory capabilities to evaluate a broader range of threat agents, $1 million for related training, and $417,000 for biosurveillance, according to the House report. Also within the total is an increase of $2.2 million to enable FSIS to hire 22 additional Consumer Safety Inspectors to help free veterinary-trained inspectors for more critical food safety responsibilities, as proposed by the Administration. The House report requests periodic updates on the performance of the initiative, including its effect on public health.

Within the Senate-passed bill's FSIS appropriation are the following increases for activities related to food defense: $209,000 for biosurveillance, $1.25 million for enhanced laboratory capabilities, and $504,000 for biosecurity training. The Senate committee report directs that no less than $2 million be used for baseline microbiological studies of raw meats and poultry, targeting the prevalence of pathogens and microorganisms as indicators of process control. The Senate total also includes an increase of more than $2.2 million for front-line inspection costs, and provides $5 million (available through the end of FY2007) for FSIS to complete

incorporation of the Humane Activities Tracking system into all U.S. slaughter plants. The Senate committee report states that its appropriation provides the requested amount to maintain the 63 positions related to enforcement of the Humane Methods of Slaughter Act. Both the Senate and House bill language designates, within the FSIS total, $20.7 million for regulatory and scientific training.

"Downer" Amendment. During floor consideration of H.R. 2744 on September 20, 2005, the Senate adopted by voice vote an amendment offered by Senator Akaka that would prohibit nonambulatory livestock (also called "downers") from being used for human food. The House bill lacks such a ban. Supporters of the Senate amendment have argued that downer animals pose numerous food safety hazards, including bovine spongiform encephalopathy (BSE or "mad cow disease") and its human variant, and microbial hazards such as Salmonella. They have noted that some prominent fast-food chains already ban the use of these animals for the meat they accept. Opponents of the ban have expressed concern about the integrity of BSE surveillance if these animals are no longer brought to slaughter, and have questioned the scientific basis of the ban, in light of its economic impacts.

The Akaka amendment would apply not only to cattle, but also to any sheep, swine, goats, horses, mules or other equines "that are unable to stand or walk unassisted" at the point of antemortem inspection. A regulatory prohibition on the slaughter of downer cattle for human food is already in effect; it is one of several meat inspection changes USDA instituted in January 2004 in response to the discovery of BSE in the United States the previous month. Some within the industry have argued that USDA's downer ban should distinguish between animals that cannot walk because of BSE or another potentially dangerous disease, and those that are essentially lame (and, presumably, safe for use as food).

Prior to the emergence of BSE in North America, downer cattle were linked more closely with the issue of humane slaughter. Widespread media reports in the 1990s made claims that nonambulatory cattle were suffering in transport to and after arrival at slaughter plants. Some in Congress believed (and continue to argue) that a ban on their inspection (effectively reducing any higher value as human food) would serve to improve their treatment.

Horse Slaughter Amendment. Both the House and Senate-passed versions prohibit funds to pay for the inspection of horses destined for human food consumption. The prohibitions were added during floor consideration: in the House on June 8, 2005, by a 269 to 158 vote to pass the Sweeney amendment, and in the Senate on September 20, 2005, by a 69 to 28 vote to pass the Ensign amendment.

Currently, three foreign-owned plants in two states (Texas and Illinois) slaughter a total of approximately 66,000 horses annually for human food. The meat is exported primarily for consumption in parts of Europe and in Japan. Because the Federal Meat Inspection Act requires FSIS inspection of equines (like other designated livestock species) before their meat may enter commerce, the presumption is that these plants could no longer process them for human food if and when H.R. 2744 with this provision is signed into law. It was unclear, immediately following the Senate action, whether it would be feasible, and legal, for the plants to operate under some other arrangement, such as requesting voluntary FSIS inspection, which

is conducted under the Agricultural Marketing Act of 1946 and underwritten by industry user fees. (For more information, see CRS Report RS21842, *Horse Slaughter Prevention Bills and Issues*.)

Marketing and Regulatory Programs

Animal and Plant Health Inspection Service (APHIS). The largest appropriation for USDA marketing and regulatory programs goes to APHIS, the agency responsible for protecting U.S. agriculture from domestic and foreign pests and diseases, responding to domestic animal and plant health problems, and facilitating agricultural trade through science-based standards. The House provides a total of $847.5 million for APHIS in FY2006, below the Administration's FY2006 request of $860.2 million, and above the FY2005 enacted level of $813 million. The Senate provides $812.8 million, slightly below the FY2005 level.

Within APHIS activities related to protecting U.S. food and agriculture from both intentional and unintentional threats, the Senate appropriation generally (but not completely) tracks the amounts for individual programs that were provided for FY2005 — rather than the increases (and for a few programs, the decreases) recommended by the Administration for FY2006.

More specifically, the Senate version reduces funding for boll weevil management from $45.6 million in FY2005 to $39.9 million in FY2006. However, the Administration had requested just $14.3 million for the boll weevil program, and the House version contains $38.6 million. For Johne's disease, the Senate-passed measure includes $18.6 million in FY2006, nearly identical to the FY2005 level but well above the Administration's FY2006 request of $3.2 million. The House-passed bill contains $7.8 million for Johne's disease in FY2006.

The House-passed measure at least partially funds a variety of APHIS increases in pest and disease activities that were requested by the Administration, including expanded funding for plant pest detection, and for animal health threat monitoring, surveillance, and response activities. These and other "food defense" increases would be partly offset by proposed reductions in several more traditional APHIS pest and disease programs (see above).

House floor debate on the measure reflected several Members' concerns regarding the adequacy of funding to address a number of emerging plant pests. The House Appropriations Committee had budgeted approximately $100.1 million for APHIS's emerging plant pests program. However, several Members argued that more was needed to deal with such growing problems as the emerald ash borer in Michigan, Ohio, and Indiana; the Asian long-horned beetle in states like New York and New Jersey; and sudden oak death in the West and elsewhere. Approved, 226 to 201, was a floor amendment by Representative Weiner to add $18.9 million to APHIS's emerging plant pest program budget in FY2006. To offset this increase, the amendment reduces spending for USDA's Common Computing Environment by $21 million.

The House also approved by voice vote another floor amendment, by Representative Schwarz, expressing the sense of Congress that USDA should use its

standing authority under the Plant Protection Act (7 U.S.C. 7772) to transfer funds from the Commodity Credit Corporation (CCC) to implement APHIS's strategic plan for eradicating the emerald ash borer. Although transfers from the CCC to APHIS to deal with pests and diseases have been common, particularly in recent fiscal years, the Office of Management and Budget (OMB) reportedly has shown increasing reluctance to approve them. The Senate Appropriations Committee's report also encourages the Secretary to continue using CCC funds to respond to plant and animal health threats, including the payment of compensation to certain producers for related losses when necessary. (See CRS Report RL32504, *Funding Plant and Animal Health Emergencies: Transfers from the Commodity Credit Corporation*.)

Neither the House nor Senate bill includes the Administration's proposal for new user fees for animal welfare inspection, totaling nearly $11 million in FY2006, to replace an equivalent amount of appropriated funds. The Administration's proposal appears to be similar to past proposals offered in FY2003, FY2004, and FY2005, to apply such user fees directly to APHIS accounts (rather than to Treasury). Congress has not acted on the requests in the past.

BSE. Most of USDA's BSE-directed funding is through APHIS, one of several USDA and non-USDA agencies involved in protecting the U.S. cattle herd and consumers from the introduction or spread of the disease.

According to the House report, $17.2 million is being provided for APHIS's BSE activities (primarily testing and surveillance), the full amount requested. The Senate report also notes that $17.2 million is being provided to continue BSE surveillance, plus another $1 million for the Comprehensive Surveillance Program. The agency had said it expected to test 40,000 animals for BSE during FY2006, although the report in June 2005 of a U.S.-born cow with BSE — which had been declared negative for the disease seven months earlier — may have created uncertainty about next year's surveillance plans. Under a special 12-18-month BSE surveillance program launched in June 2004, APHIS has tested 472,000 cattle (through mid-September 2005). This special program was due to end in FY2005. (Other agencies within the Department are earmarking additional funds for BSE-related research, such as on improved diagnostic tests for prions in animal tissue and feeds; on transmissibility of prions among livestock and wildlife species; on differentiating BSE strains; and on determination of the pathobiology of disease infection.)

Both the House-passed and Senate-passed bills also designate approximately $33 million of the APHIS appropriation for the agency's continued development of a National Animal Identification System (NAIS), as requested. The House committee said that it expects APHIS to submit quarterly progress reports that cover data usage, confidentiality, and cost issues; the Senate committee report expects APHIS to consult with private industry and to include industry components in a national ID program, among other things. Shortly after the BSE-positive cow was discovered in December 2003 in Washington state, USDA had promised to accelerate work on such a national system, so that in case of an animal disease outbreak of any type, suspect animals' whereabouts could be traced within 48 hours. The House also directs that no less than $2 million be provided for a cooperative agreement with the Wisconsin Livestock Identification Consortium, and no less than $600,000 for the

Farm Animal Identification and Records program, both to work in support of a national system. The Senate version earmarks some funds for these programs as well. USDA since 2004 has funded a variety of state and tribal agencies to conduct pilot projects and data in preparation for a national system. (See CRS Report RL32012, *Animal Identification and Meat Traceability*.)

Other non-USDA agencies also have BSE-related responsibilities. For example, the Food and Drug Administration (FDA) at the Department of Health and Human Services (HHS) regulates the safety of all human foods other than meat and poultry, human drugs, and animal feed ingredients. Both the House and Senate versions provide, within the total available for FDA, the full $29.6 million requested by the Administration for the agency's BSE activities in FY2006, and the same level as in FY2005. Most of the funding is for enforcement of FDA's animal feeding restrictions (imposed in 1997 to ensure that potentially BSE-infective materials are not introduced). FDA currently is considering whether to tighten further the existing feed restrictions; it also wants to use FY2006 funds to continue to identify risky materials and to conduct research to decontaminate and deactivate BSE prions. (See CRS Issue Brief IB10127, *Mad Cow Disease: Agricultural Issues for Congress*.)

U.S.-Japan Beef Trade Issue. The Senate on September 20, 2005, also adopted, 72 to 26, a floor amendment to bar USDA implementation of a proposed rule enabling Japan to export beef to the United States, unless Japan has opened its own markets for U.S. beef and beef products. USDA has banned the importation of Japanese beef since September 2001 when the first of approximately 20 native cases of BSE was reported there. USDA published the proposed rule on August 16, 2005. However, the Japanese have not yet implemented their own policy changes to permit U.S. beef imports. Adoption of the Senate amendment reflects the increasing frustration of many lawmakers who believe that Japan has not lived up to its obligations, spelled out in an October 2004 framework agreement, for resuming normal beef trade between the two countries. Before the U.S. BSE case brought trade to a virtual halt, Japan was the most important foreign market for U.S. beef, accounting for 37% of total beef exports valued by USDA at $3.1 billion in 2003. (See CRS Report RS21709, *Mad Cow Disease and U.S. Beef Trade*.)

Agricultural Marketing Service (AMS). AMS is responsible for promoting the marketing and distribution of U.S. agricultural products in domestic and international markets. The House recommends a total of $95.4 million for AMS programs, which includes $79.3 million in direct budget authority plus a $16.1 million transfer from USDA's Section 32 account, which AMS administers.[2] The Senate version contains $96.5 million. The Administration requested new spending of $101.5 million for the agency in FY2006; the FY2005 enacted level is $94.7 million.

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[2] Section 32 funding comes from a permanent appropriation equivalent to 30% of annual U.S. Customs receipts. AMS uses these additional Section 32 monies (also not reflected in the above totals) to pay for a variety of programs and activities, notably child nutrition, and government purchases of surplus farm commodities not supported by ongoing farm price support programs. For an explanation of this account, see CRS Report RS20235, *Farm and Food Support Under USDA's Section 32 Program*.

Within the AMS total, the Administration requested and the House approved $1.3 million for payments for state marketing activities, compared with the FY2005 enacted level of $3.8 million. The difference reflects a specialty markets grant made in FY2005 to the Wisconsin Department of Agriculture as well as a grant to the Florida Department of Citrus. The Senate version contains $3.8 million, and continues the Wisconsin project.

Approved during House committee markup, as part of a package of amendments by the Chairman, was a new appropriation of $1 million for AMS specifically for the Farmers Market Promotion Program. Authorized by Section 10605 of the 2002 farm bill (7 U.S.C. 3005) but not previously funded, the program requires USDA to provide grants for establishing, improving, and promoting farmers' markets and other direct marketing activities. The Senate bill does not contain the $1 million item. (See also CRS Report RS21652, *Farmers' Markets: The USDA Role*.)

Neither the House nor Senate measure recommends the Administration's proposed plan for new AMS user fees, to replace nearly $3 million in appropriated funding for the development of commodity grade standards. The Administration has argued that users of commodity grading, who already pay user fees for such services, should also be charged for the development of the grades themselves, because they are the direct beneficiaries. However, the committee said it will consider such fees if they achieve authorization. New fees would be in addition to the estimated $204 million in existing user fees paid by industry for various AMS activities, which are not included in the above AMS budget authority totals.

Country-of-Origin Labeling (COOL). AMS asked for an increase of $3.1 million specifically to implement oversight of the mandatory country of origin labeling program that currently is scheduled to take effect in 2006 for many retailers of fresh meats, fruits, vegetables, and peanuts. This amount is specifically included in the Senate report accompanying its bill. On the House side, neither the bill nor the accompanying report explicitly mentions this increase. Rather, the measure includes language (Section 769) prohibiting use of funds to implement COOL for meat or meat products. According to observers, the language is intended to postpone implementation of the meat COOL. Pending in the House Agriculture Committee is legislation (H.R. 2068) introduced by its chairman that would replace the mandatory program for meats with a voluntary program. (See CRS Report 97-508, *Country of Origin Labeling for Foods*.)

A House floor amendment by Representative Rehberg to delete the language in Section 769 and essentially proceed with mandatory COOL implementation was defeated by a vote of 187 to 240. The Senate version does not change current COOL requirements, suggesting that the fate of the House language will be determined by conferees. The Senate has been viewed as more supportive of mandatory COOL than the House.

National Organic Program. The Organic Foods Production Act (OFPA) of 1990 required USDA to develop national standards for organically produced agricultural products. Consequently, AMS promulgated final regulations in 2000 adopting such standards and requiring that agricultural products labeled as organic meet them. During floor debate on September 21, 2005, the Senate approved by

voice vote an amendment directing USDA to evaluate any impacts of a recent court decision on the National Organic Program. In that 2005 decision, a federal court essentially called on USDA to tighten its rules in order to prohibit use of the official organic label on products containing synthetic substances, and also to require organic dairy herds to use 100% organic feed.[3]

In a report due to Congress within 90 days of enactment, the Secretary of Agriculture also would have to determine whether restoring the National Organic Program as it was before the court decision "would adversely affect organic farmers, organic food processors, and consumers"; analyze issues on the use of synthetic ingredients in processing and handling; analyze the utility of expedited petitions for commercially unavailable agricultural commodities and products; and consider the use of crops and forage from land included in the land of dairy farms in their third year of organic management. The amendment, by Senator Leahy, is not in the House version. It addresses a dispute between many in the organic food industry who contend that generally insignificant amounts of non-organic substances should be allowed in organically-labeled products — and who want to restore the organics rules to the pre-court decision — and consumer groups who want a "purer" standard enforced for such products, according to a food trade publication.[4]

Grain Inspection, Packers, and Stockyards Administration (GIPSA). One branch of this agency establishes the official U.S. standards, inspection and grading for grain and other commodities. Another branch ensures fair-trading practices in livestock and meat products. The latter branch has been working to improve its understanding and oversight of livestock markets, where increasing concentration and other changes in business relationships (such as contractual relationships between producers and processors) have raised concerns among some producers about the impacts of these developments on farm-level prices.

The House-passed bill provides $38.4 million for GIPSA in FY2006; the Senate version contains a similar amount. This appropriation would be below the Administration's proposed program level of $40.4 million, but higher than the approximately $37 million appropriated for FY2005. Neither bill recommends replacing an estimated $24.7 million of GIPSA's appropriation with user fees, as proposed by the Administration. USDA said in its budget materials that new legislation is being proposed to permit collection of fees for grain standardization and Packers and Stockyards licensing activities. For FY2005, the Administration similarly had proposed, but Congress did not adopt, new user fees of more than $29.4 million.

The House report reiterates its interest in GIPSA's ongoing study of livestock marketing practices, which began with a $4.5 million appropriation in F2003 and is now expected to be completed in mid-2006. The committee directs GIPSA to report regularly on the study's progress. The committee expresses concern about the confidentiality, use, and costs of the data collected and asks that GIPSA's reports address these issues.

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[3] *Harvey v. Veneman*, 396 F.3d 28 (1st Cir. Me. 2005).

[4] *Food Chemical News*, August 8, 2005; September 26, 2005.

Rural Development

Three agencies are responsible for USDA's rural development mission area: the Rural Housing Service (RHS), the Rural Business-Cooperative Service (RBS), and the Rural Utilities Service (RUS). An Office of Community Development provides community development support through Rural Development's field offices. The mission area also administers the rural portion of the Empowerment Zones and Enterprise Communities Initiative and the National Rural Development Partnership.

The Senate- and House-passed bills recommend $2.534 billion and $2.471 billion, respectively, for USDA's discretionary rural development programs. The Senate measure is $120.7 million more than enacted for FY2005, $76.3 million more than requested, and $63.5 million more than the House bill. The recommendation would support $11.732 billion in direct and guaranteed loans ($1.384 billion more than FY2005), as well as numerous grant and technical assistance programs, and salaries and expenses. This recommended loan authorization level is $3.158 billion more than requested. Separately, as was the case in FY2005, both the Senate and House bills recommend cancelling mandatory funding for various rural development programs authorized in the 2002 farm bill (see **Table 4**). Several of these programs, however, are recommended for funding through discretionary appropriations, although at lesser amounts than the mandatory authorization.

Like the House bill, the Senate-passed measure does not recommend the Administration's proposal that several rural development programs be consolidated with other economic development programs into a new community development program administered by the U.S. Department of Commerce (the *Strengthening America's Communities Initiative*).

The House bill encourages the RBS to implement a loan guarantee fee for Business and Industry guaranteed loans. The measure also directs the USDA to promulgate final rules for implementing the Household Water Well System Grant Program and recommends funding a pilot program to train and certify inspectors in well construction and maintenance. The Senate measure does not make these recommendations. The Senate bill recommends $1.5 million for the Denali Commission to address deficiencies in solid waste disposal sites. The House bill did not make a similar recommendation.

Rural Community Advancement Program (RCAP). RCAP, authorized by the 1996 farm bill (P.L.104-127), consolidates funding for 12 rural development loan and grant programs into three funding streams. The Senate-passed bill recommends $705.1 million for RCAP, $5.2 less than enacted for FY2005 and $183.4 more than requested. The House bill recommends about $47 million less ($657.4 million) than the Senate measure. Virtually all of the difference between House and Senate measures is accounted for by the Senate bill's recommendation of $86.7 million for the community facilities account versus $38.0 million recommended for that account in the House measure. The Senate measure is approximately $3 million less than enacted for the community facilities account for FY2005 ($89.2 million). The Senate bill recommends approximately the same as the House measure for the rural utilities account ($528.1 million and $531.2 million, respectively) and for the business development account ($90.2 million and $88.2

million, respectively). FY2005 funding enacted for the utilities account and the business development account was $552.7 and $74.2, respectively.

As in past years, the Senate bill makes directed spending recommendations within the RCAP accounts. The level of this recommended directed funding from the various RCAP accounts is not significantly different from similar recommendations enacted for FY2005 or from the House recommendations, but is appreciably higher than requested by the Administration (see **Table 5**).

Table 4. Reductions in Mandatory Rural Development Programs

($ million)

Program	FY2005 Enacted (P.L. 108-447): Allowed Level	FY2006 Authorized Level under 2002 Farm Bill	FY2006 House Bill H.R. 2744	FY2006 Senate Bill H.R. 2744	Difference from FY2006 Authorized Level
Enhancement of Rural Access to Broadband *(§ 6103)*	$0	$50	$0	$0	- $50
Rural Business Investment Program *(§ 6029)*	$11	$100	$0	$0	- $89
Rural Strategic Investment Program (§ 6030)	$0	$100	$0	$0	$100
Value-added Product Market Development Grants *(§ 6401)*	$15.5*	$120	$55.5*	$15.5*	- $120
Rural Firefighters *(§ 6405)*	$0	$40	$0	$0	- $40
Renewable Energy Systems *(§ 9006)*	$23*	$23	$23*	$23*	- $23
Bioenergy Program *(§9010)*	$36	$150	Not to exceed $60	Not to exceed $60	- $90
Biomass R&D *(§9008)*	$14	$14	Not to exceed $12	Not to exceed $12	- $2

Source: Congressional Budget Office

* Funding provided in the bill is discretionary, not mandatory as authorized.

Table 5. Directed Spending in the Rural Community Advancement Program (RCAP) Accounts

($ million)

Program	FY2005 Enacted	FY2006 Budget Request	FY2006 House Bill H.R. 2477	FY2006 Senate Bill H.R. 2477
Water and waste disposal loans and grants for Native Americans	$25.0	$9.0	$24.0	$26.0
Water and waste disposal loans and grants for *Colonias*	$25.0	$11.8	$25.0	$25.0
Economic Impact Initiative Grants	$20.7	$0	$0	$20.0
Rural Community Development Initiative Grants	$6.3	$0	$6.2	$6.5
High Energy Costs Grants	$27.7	$0	$0	$28.0
Water and waste disposal loans and grants to Alaska Native Communities	$26.0	$11.8	$0	$26.0
Water and waste water technical assistance	$18.2	$16.2	$17.5	$18.2
Well systems	$0.992	$0	$0	$0.992
Circuit Rider Program	$13.5	$9.5	$14.0	$13.5
Rural Business Enterprise Grants	$40	$0*	$40.0	$40.0
Rural Business Opportunity Grants	$3.0	$0*	$3.0	$3.0
Business and Industry Guaranteed Loans (subsidies)	$29.4	$44.2	$44.2	$44.2
Empower Zones/Enterprise Communities and REAP	$22.2	$13.4*	$0	$0
Delta Regional Authority	$1.0	$0	$0	$3.0

* The Administration has requested that these programs be consolidated into the *Strengthening America's Communities Initiative.*

Rural Business-Cooperative Service. For FY2006, the Senate and House bills recommend an appropriation of $86.7 million and $135.3 million, respectively, for RBS loan subsidies and grants. The Senate-passed bill includes $25.0 million for Rural Cooperative Development Grants, $39.0 million less than the House bill recommendation. Both the House and Senate bills recommend $59.2 million in loan

authorization levels, nearly the same as enacted for FY2005 and the same as requested. Total recommended budget authority in the Senate measure, however, is $29.4 more than requested.

As noted in **Table 4**, above, the House and Senate bills also support the Administration's request and recommend prohibiting the use of authorized mandatory funds for the $40.0 million Value-Added Agricultural Product Development grants in FY2006, as in FY2005. The House bill recommends $55.5 million in discretionary funding, an increase of $40.0 million over the amount enacted for FY2005 and requested. The Senate bill, however, recommends $15.5 million in discretionary funding for the program. As in FY2005, both the House and Senate measures also recommend prohibiting the use of the $23.0 million in authorized mandatory funds for the Renewable Energy Grants program, and request $23.0 million in discretionary funds instead. This is the same as enacted for FY2005 and $13.0 million more than requested. Consistent with the Administration's request, both the House and Senate bills again recommend that $100.0 million for the Rural Strategic Investment Fund be cancelled for FY2006.

For the Empowerment Zone/Enterprise Community Program, the Senate measure recommends $12.4 million, the same as enacted for FY2005 and $12.4 million more than the $0 requested. The House measure recommends $10.0 million for the program. Neither the House nor Senate bills recommends directed spending for the EZ/EC programs through the RCAP accounts (**Table 5**). Thus, the House and Senate are funding the EZ/EC program directly rather than replacing funds as the Administration requested, or supplementing funds as in previous years, by directing spending from the RCAP account.

Rural Utilities Service (RUS). The Senate and House bills recommend budget authority of $105.6 and $92.5 million, respectively, for RUS (compared with $102.2 million enacted in FY2005). The Senate measure would support an estimated FY2006 loan level of $6.745 billion, and the House measure $5.508 billion (compared with $5.606 billion estimated for FY2005).[5] The House recommended loan authority is $1.959 billion more than requested and the Senate level is $3.158 billion more. Both the Senate and House measures recommend $6.2 million in loan subsidies for the rural electrification program. This would support a loan authorization level of $4.300 billion under the House recommendation and $5.500 billion under the Senate measure. The Senate measure includes a higher loan authorization level than the House bill for Federal Financing Bank loans. For telecommunications loans, the Senate and House bills recommend approximately the same loan authorization levels for the telecommunications loans. This program level is about $176.0 million more than enacted for FY2005 and $25.0 million more than requested.

Both House and Senate bills again recommend cancelling $20.0 million in mandatory funding for the Enhancement of Access to Broadband Service authorized in the 2002 farm bill. For the broadband loan program, the Senate measure

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[5] These figures do not include water and waste water loans and grants also administered by RUS. Water and waste disposal loans and grant are included under the RCAP appropriation.

recommends $11.8 million in subsidies, about $1.8 million more than the House bill and the requested amount. The Senate bill's recommended loan subsidy level supports a program level of $550.0 million. This program level is $86.1 million more than the House bill and $191.0 million more than requested. The Senate measure recommends $10.0 million for broadband grants, $1.0 million more than the House recommendation and nearly the same as the enacted FY2005 level. The Administration requested no funding for the grants program. For the distance learning and telemedicine program, the Senate and House passed bills recommend $35.0 and $25.0 million, respectively, in grants, nearly the same as enacted for FY2005. The House measure also recommends $50.0 million in direct loan authorization for the telemedicine and distance learning program, the same amount enacted for FY2005, while the Senate measure requested no loan authorization. The Administration requested no loan authorization for the program for FY2006.

Rural Housing Service. To support a total of $4.928 billion in rural housing loan authority, the Senate-passed bill recommends an FY2006 appropriation of $1.471 billion, approximately $25.0 million more than recommended by the House measure and about $102.0 million more than enacted for FY2005. The Administration had requested $1.626 billion. Total recommended loan authorization in the Senate-passed bill is $244.3 more than enacted for FY2005 and $38.0 million less than requested.

The Senate measure recommends $1.000 billion in direct loan authorization for the Section 502 single family housing program, supported by a requested appropriation of $113.9 million. The House bill recommends $140.0 million more in loan authorization and approximately $17 million more in budget authority. For Section 502 guaranteed housing loans, both Senate and House bills recommend $40.9 million in subsidies, approximately $7.6 million more than enacted for FY2005, to support a program level of $3.681 billion. For Section 515 rental housing loan subsidies, the House bill recommends requests $45.9 million, approximately the same as enacted for FY2005 and $4.5 million more than the House measure. For Section 504 housing repair grants, the Senate and House bills recommend approximately $10 million, nearly the same as enacted for FY2005 and as requested. Rental assistance payments for Section 521 housing would increase to $644.1 million under both the House and Senate bill recommendation, up from $581.4 million enacted for FY2005. Senate recommended budget authority for farm labor housing loan subsidies (Section 514) and farm housing grants (Section 516) would decrease by $4.2 million over the FY2005 enacted amount to $29.6 million.

For more information on USDA rural development programs, see CRS Report RL31837, *An Overview of USDA Rural Development Programs*.

Domestic Food Assistance

Funding for domestic food assistance represents the majority of USDA's budget. The bills adopted by the House and Senate for FY2006 recommend a total of $58.71 billion, and generally conform to the Administration's request for $58.96 billion. The main reason for the lower House/Senate amount is a reduced appropriation for the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program) based on newer estimates from the Administration.

The Administration's FY2006 *appropriations* (new budget authority) request for domestic food aid programs administered through the USDA represents $6.5 billion increase over the FY2005 amount ($52.488 billion).[6] However, the Administration's budget anticipates that actual *spending* (obligations) will increase to a lesser degree — about $4.4 billion, from $52.068 billion in FY2005 to $56.423 billion in FY2006.[7] The net difference between the appropriation and spending amounts is accounted for by additional "contingency" appropriations (e.g., $3 billion for food stamps), offset by spending financed from money available from prior fiscal years and other USDA accounts (e.g., permanent appropriations and commodity purchases).

The domestic food aid budget request generally is derived from Administration projections of program caseloads and inflation-indexed benefit levels; most are "entitlement," not "discretionary," programs. The budget, and the House and Senate bills, effectively propose to "fully fund" all but one domestic food assistance effort based on Administration estimates as to the need for aid; the Commodity Supplemental Food program would serve fewer people than in FY2005. However, linked to its budget, the Administration also put forward a number of new program initiatives that would affect spending — e.g., constraining the number of participants in the Food Stamp program and the WIC program using revised eligibility rules, ending special bison meat purchases. The House and Senate have has adopted some of these, and the Senate bill includes some additional changes.

Programs under the Food Stamp Act. Appropriations under the Food Stamp Act provide funding for (1) the regular Food Stamp program, (2) a Nutrition Assistance Block Grant for Puerto Rico (in lieu of food stamps), (3) commodities and administrative expense aid through the Food Distribution Program on Indian Reservations (FDPIR), an alternative to food stamps for living on or near Indian reservations, (4) small nutrition assistance grant programs in American Samoa and the Commonwealth of Northern Mariana Islands, (5) commodities for The Emergency Food Assistance Program (TEFAP), and (6) the Community Food Project.

For Food Stamp Act programs, the House bill provides the Administration-requested appropriation, effectively adopting the Administration's spending projections (discussed below). The FY2006 budget asks for a total *appropriation* of $40.711 billion, an increase of $5.5 billion over the FY2005 figure of $35.155

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[6] Not included in these figures are permanent appropriations, the value of commodities required to be purchased (under "Section 32" authority) for child nutrition programs, and the value of "bonus" commodities acquired for agriculture support reasons and donated to various food assistance programs. These items are recognized in, but generally not include as part of, the regular appropriations process; they totaled to $901 million in FY2005 and are expected to add up to $918 million in FY2006.

[7] Not included in these spending totals are purchases of "bonus" commodities acquired for farm-support reasons, obligations made to replenish the contingency fund for the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program), and spending on food stamp benefits made from funds provided by states. These items total to over $500 million in FY2005 and FY2006.

billion. This includes $3 billion for a "contingency reserve" in case current estimates of need prove too low.

The Administration's Food Stamp Act *spending* estimate for FY2006 is $37.739 billion, a $3.5 billion increase over the FY2005 level. Spending for the regular Food Stamp program is expected to rise by $3.5 billion, to $36.001 billion in FY2006. Puerto Rico's nutrition assistance grant will go to $1.516 billion, up $21 million from FY2005. Overall spending for the FDPIR is anticipated to decline from $82 to $78 million.[8] Costs for the American Samoa and Northern Mariana Islands programs are effectively unchanged (at $14 million in total). And the FY2006 budgeted amounts for TEFAP commodities and the Community Food Project are the same as for FY2005 — $140 million and $5 million respectively.[9]

As with the House bill, the version adopted by the Senate would appropriate the Administration's request ($40.711 billion). But, unlike the House bill, it earmarks $4 million of this amount for a special bison meat purchase program for the FDPIR, increasing spending on the FDPIR to $82 million in FY2006. The Senate bill also includes an amendment dealing with "privatization" of food stamp administrative operations (see *New Program Initiatives*, below).

Child Nutrition Programs. Child nutrition programs would be *appropriated* $12.416 billion for FY2006 under the Administration's budget, up $634 million from $11.782 billion in FY2005. These activities include the School Lunch and Breakfast programs, the Child and Adult Care Food program, the Summer Food Service program, after-school and outside-of-school nutrition programs, the Special Milk program, food commodities required to be bought for schools and other providers, assistance to states with their child-nutrition-related administrative costs, and nutrition education (e.g., "Team Nutrition"), food safety, and program integrity initiatives.

The House-passed provides a slightly smaller-than-requested appropriation — $12.412 billion. Although this amount eliminates $4 million for a proposed program integrity study of the Child and Adult Care Food program, it effectively adopts the rest of the Administration's spending projections. The bill passed by the Senate includes $12.422 billion for child nutrition and includes several special child nutrition program initiatives (see *New Program Initiatives*, below).

Under the House scenario, the *spending* estimate for FY2006 (including funding sources other than regular appropriations such as the value of commodities purchased from different USDA budget accounts, permanent appropriations, and

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[8] Under the Administration's budget and the House-passed bill, FY2006 money for the FDPIR is scheduled for a decrease because of the proposed elimination of a special bison meat purchase project and the availability of commodity inventory carryover from FY2005 that can be used for the FY2006 program. Actual participation is expected to *increase*.

[9] An additional $50 million a year for TEFAP distribution/administrative costs is available from the Commodity Assistance budget account (the same as FY2005), and the House and Senate bills would allow up to $10 million of the $140 million appropriated for TEFAP commodities to be used for distribution/administrative expenses.

carryover funds from previous years) is $12.909 billion ($4 million below the Administration's spending estimate). This is an increase of $541 million over FY2005 estimates and includes money ($38 million) for initiatives that received permanent appropriations under the 2004 Child Nutrition and WIC Reauthorization Act (P.L. 108-265) — the Food Service Management Institute, an information clearinghouse, a fresh fruit and vegetable program for selected schools, various demonstration projects, and efforts to increase integrity in child nutrition programs. It does not include money for an integrity project related to the Child and Adult Care Food program; nor does it include specific funding for an *authorized* pilot expanding eligibility for free school meals (although House report language "encourages" the USDA to carry out the project). The Senate scenario is the same, except that $10 million more would be spent for nutrition education activities through the "Team Nutrition" project.

The WIC Program. The Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program) would have received an FY2006 appropriation of $5.510 billion under the Administration's original budget request, a $275 million increase over FY2005. However, as noted in the House and Senate reports on the FY2006 appropriation, the Administration has revised its projection of WIC participation and food costs downward. As a result, the House and Senate bills appropriate $5.257 billion, a $22 million increase from FY2005. They also (1) include money to replenish a $125 million "contingency reserve" (in case current cost projections are too low), (2) contemplate carrying a small amount of unused funding into FY2007, (3) rescind $32 million in unobligated carryover funds from FY2005, (4) earmark $14 million for breastfeeding support initiatives, and (5) in the *Senate version*, earmark $20 million for state management information systems.

Commodity Assistance Programs. The commodity assistance budget account covers four program areas: (1) the Commodity Supplemental Food Program (CSFP), (2) funding for TEFAP distribution/administrative costs (in addition to commodities provided through money under the Food Stamp Act account and "bonus" commodities acquired for farm-support purposes), (3) two farmers market programs for WIC participants and seniors, and (4) food donation programs for disaster assistance, aid to certain Pacific Islands affected by nuclear testing, and commodities supplied to Older Americans Act grantees operating the Nutrition Services Incentive program for the elderly.

For FY2006, the Administration proposes a total *appropriation* of $178 million for this account, up only slightly from the $177 million available in FY2005. Under this budget account, the actual *spending* level for FY2006 is anticipated to total just over $195 million (incorporating funding supported by other budget accounts). This is roughly the same spending level as FY2005 and includes $107 million for the CSFP,[10] $50 million for TEFAP distribution/administrative costs, $35 million for the

[10] Total spending to support the CSFP (including funds and commodities carried over from FY2005) is projected to rise by $2 million to $113 million in FY2006. However, despite this increase, the FY2006 CSFP budget effectively dictates a significant caseload reduction of at least 45,000 persons because of rising food and administrative costs.

two farmers market nutrition programs ($20 million for the WIC component and $15 million for the seniors component), and $4 million for other food donation activities.

Both the House and Senate bills provide a small increase over the Administration's request. The House includes $179 million, and the Senate appropriates $180 million. In both cases the additional dollars ($1 million and $2 million) are to be available for the CSFP.[11]

Nutrition Program Administration. This budget account covers money for federal administrative expenses related to domestic food assistance programs and special projects. For FY2006, the Administration has asked for an appropriation (and spending) of $141 million, up $1.9 million from FY2005. The House and Senate bills provide the amount asked for by the Administration.

In addition, this account includes money for the Congressional Hunger Center; $2.5 million was appropriated for FY2005. The Administration's FY2006 budget does not request funding for the center. However, in Title VII of the House and Senate bills, $2.5 million is appropriated.

New Program Initiatives. In addition to ending funding for the Congressional Hunger Center (noted above), the Administration has proposed several initiatives that would create budget savings, change the terms under which domestic food aid programs operate (potentially affecting participation), or add new funding. These proposals include (1) constraining food stamp spending by ending eligibility for some households that would not meet regular food stamp tests but receive other public assistance benefits (estimated to save $57 million in FY2006 and just over $100 million a year in later years and affect some 300,000 persons yearly), (2) authorizing state agencies that administer the Food Stamp program to access the National Database of New Hires to help verify food stamp eligibility (estimated to save $2 million a year), (3) continuing current food stamp rules that do not count special military pay for those deployed to combat zones (estimated to cost $1 million in FY2006), (4) ending a special bison meat purchase program for the FDPIR (estimated to save $4 million in FY2006), (5) capping the proportion of state WIC grants that can be spent on nutrition services and administration at 25%, (6) imposing an income limit (250% of the federal poverty guidelines) on those who can get WIC services/benefits automatically because of their participation in the Medicaid program, (7) continuing a rule barring approval of any new retailers in the WIC program whose major source of revenue is derived from the WIC program (so-called "WIC-only" stores), and (8) appropriating $3 million for a WIC performance measurement project.

The House-passed bill adopts the food stamp military pay proposal, ending the special bison meat purchase project, imposing an income limit on WIC/Medicaid recipients, and a continuation of the bar on new WIC-only stores. The Senate-passed bill incorporates the military pay proposal and continuing the bar against WIC-only stores. Other items on the Administration's agenda may be taken up by the

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[11] These increases would not reverse the expected caseload reduction noted in the preceding footnote.

appropriate authorizing committees (e.g., ending automatic food stamp eligibility for some public assistance recipients) to the extent that they require a change in law rather than an appropriation.

The Senate-passed bill also includes several special provisions. These (1) make seven more states eligible for so-called "Lugar" status in the Summer Food Service program (i.e., allowing reduced documentation requirements for summer project sponsors), (2) provide $2 million to expand the program providing fruits and vegetables in selected schools to two additional states, (3) continue to allow the reallocation of unused audit funds in the Child and Adult Care Food program, (4) make federal money supporting development of local school "wellness" policies available in October 2005 (rather than July 2006), (5) provide an additional $10 million for child nutrition education activities through the "Team Nutrition" project, and (6) bar federal cost-sharing for state food stamp administrative costs in cases where the state contracts out ("privatizes") more than 10% of its administrative expenses (other than those for benefit issuance and nutrition education).[12] The final two changes noted above were added by Senate floor amendments.

Food and Drug Administration (FDA)

The Food and Drug Administration (FDA), an agency of the Department of Health and Human Services (HHS), is responsible for regulating the safety of foods, and the safety and effectiveness of drugs, biologics (e.g., vaccines), and medical devices. For FY2006, the House passed a program level of $1.868 billion, slightly below the President's request of $1.882 billion, but a $67 million (3.7%) increase over the enacted FY2005 level of $1.801 billion. The Senate approved a level of $1.874 billion, $7.8 million below the budget request but $73 million (4.1%) over the FY2005 level. These totals represent a combination of congressional appropriations under two categories: (1) salaries and expenses, and (2) buildings and facilities and various user fee authorizations.

In FDA's annual appropriation, Congress sets both the total amount of appropriated funds and the level of user fees to be collected that year. For appropriated funds for salaries and expenses, the House agreed to $1.481 billion for FY2006, $11.7 million (0.8%) less than the President's budget request of $1.493 billion but $30.9 million (2.1%) more than the FY2005 appropriation of $1.450 billion. The Senate agreed to $1.485 billion, $7.7 million (0.5%) less than the President's request but a $34.9 million (2.4%) increase over the FY2005 appropriation. For user fees, both the House and Senate authorized FDA to collect $381.8 million, an increase of $31.3 million (8.9%). User fees in three major programs that cover prescription drugs, medical devices, and animal drugs would account for $357 million of the FY2006 total (equal to the President's request), with the remaining $24.8 million coming from mammography clinics certification and export and color certification fees.

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[12] The administrative cost amendment effectively bars states planning to contract out major parts of their food stamp administrative operations statewide (like Texas) from doing so, unless they are willing to lose federal payments.

The House recommends a $5 million appropriation for the maintenance of buildings and facilities in FY2006, but the Senate passed a $7 million appropriation, the same as the President's request. The FY2005 appropriation, differing from earlier years' appropriations, did not include maintenance funding. FDA, therefore, absorbed the FY2005 costs of maintaining its facilities within its program funds. In addition to recommending funding for buildings and facilities, the Senate has prohibited funds to be used to close or relocate FDA's Division of Pharmaceutical Analysis in St. Louis, Missouri. The Senate also gives the Secretary of Health and Human Services authority to relinquish all or part of the lands and properties of the National Center for Toxicological Research and the Arkansas Regional Laboratory.

Counterterrorism

The House's recommendation for counterterrorism for FY2006 is $257.5 million, $13.4 million (5.5%) more than the President's request of $244.1 million, and a 20.3% increase over the $214 million enacted for FY2005 (see **Table 6**). This funding is part of each program center's request and is included in the total appropriation request for FDA.

Table 6. FDA Counterterrorism Funding

($ thousands)

Program	FY2004 Enacted	FY2005 Enacted	FY2006 Request	FY2006 House-passed	FY2006 Senate-passed
Food Safety and Defense[a]	$115,660	$149,952	$180,026	$192,466	$196,602
Drugs	19,061	21,884	21,884	21,884	21,884
Biologics	25,544	25,340	25,340	25,340	25,340
Device & Radiological Health	5,731	5,685	5,685	5,685	5,685
Toxicological Research	3,173	3,148	3,148	3,148	3,148
Other Activities	1,409	1,398	1,398	1,398	1,398
Rent	6,660	6,607	6,607	6,607	6,607
Total	**$177,238**	**$214,014**	**$244,088**	**$256,528**	**$260,664**

Source: FDA's Office of Budget and Budget Formulation, July 5, 2005.

a. Food Safety and Defense category includes funding for the National Center for Toxicological Research (NCTR).

Most of the funding (75%) for counterterrorism activities is for food defense. The request for food defense is $180 million, $30 million (20%) more than the FY2005 appropriation of $150 million. The House agreed to $192.5 million, a 28% increase, while the Senate was more generous, recommending $196.6 million, a 31% increase over FY2005. The House report directs the agency to give priority to maintaining existing personnel and operations critical to ensuring the safety of domestic and imported food rather than funding new functions, grants, or

agreements. The Senate report also wanted the agency to use funds provided to support current activities and staff levels before engaging in new activities. The additional funds for food defense will be used for the Food Emergency Response Network (FERN), a nationwide FDA-FSIS network of federal and state laboratories capable of testing thousands of food samples within days for certain biological, radiological, and chemical threat agents. The increase also will fund research on food testing methods and related areas, will conduct about 60,000 food import field inspections, of which 38,000 are risk-based inspections of potentially high-risk food import entries. The increase also will be used in augmenting FDA's crisis management capability by boosting FDA's rapid and coordinated response to food threats and food-associated crises, and by creating a central hub to relay all emergency information to FDA and interested stakeholders. (For more information, see CRS Report RL31853, *Food Safety Issues in the 109th Congress*.)

The increase in funding for medical countermeasures will be spread over the various categories in **Table 6**. Some of these medical countermeasure activities also will be funded under Project BioShield, a program designed to help ensure that medical products for use in the event of war or catastrophic events are reviewed and approved quickly for safety and effectiveness. Some funding will be used to assist companies in developing new countermeasures. Also, some will allow FDA to implement regulations to provide for "emergency use authorization" when the countermeasure is still in a developmental stage.

Food

The House included $444.1 million for the foods program of the Center for Food Safety and Applied Nutrition (CFSAN) and the center's field activities, while the Senate recommended $450.2 million. These amounts are down from the President's request of $461 million, but the House's is $8.6 million (2%) more than the enacted FY2005 budget of $435.5 million while the Senate recommendation is $14.7 million (3.4%) more. In addition, the House and the Senate decided to keep the same resources ($29.6 million) as the President's request for programs related to prevention of bovine spongiform encephalopathy (BSE), or "mad cow" disease. The Senate committee, however, added several details in its report concerning yearly inspections of all renderers and feed mills and urged the agency to validate test methods for BSE-related proteins in feed, and to continue research on transmissible spongiform encephalopathies in FDA's centers.

The House noted that the agency was developing with FSIS regulations on the use of sausage casings/small intestines of cattle and is concerned about the availability of this material, which is not a BSE-related specified risk material. It wants a report within 30 days of enactment on the regulation's status and on the guidance being developed for field offices. The Senate is interested in the naturally occurring as well as industrial contaminant "perchlorate" found in produce, milk, and bottled water, and wants a report on the agency surveys of this contaminant. The Senate also is aware of the dramatic increase in milk protein imports and wants to see further enforcement of the standards of identity of these products to prevent potential illegal use of milk protein concentrate in standardized cheese.

Both the House and the Senate support the National Antibiotic Resistance Monitoring System (NARMS) as being critical to public health surveillance. The House and the Senate encourage FDA to contribute similar funding for each part of the program, including animal surveillance, as the agency does for human surveillance, and want a report by March 1, 2006, on this funding. The Senate in particular directs the agency to review all components of NARMS to ensure that the program remains scientifically sound and relevant to public health.

Both the House and the Senate direct FDA to continue supporting the National Center for Food Safety and Technology in Summit-Argo, Illinois, with $3 million and continue support for the development of rapid test methods of fresh fruits and vegetable for microbiological pathogens at the New Mexico State University laboratories. Both the House and the Senate want another report by February 1, 2006, that summarizes the results of the agency's nutrition facts label monitoring, the types of violations discovered, and the mitigating activities the agency took to address the violations. The Senate also provides $1 million to create at the University of California at Davis a center for research on food defense, particularly research into risks found in food imports, and encourages the agency to work with USDA and CDC on the Partnership for Food Safety Education.

Seafood Safety. Seafood safety is again a priority for both the House and the Senate. The House and the Senate direct $250,000 to continue support for the Interstate Shellfish Sanitation Commission (ISSC) to promote research and education about shellfish safety and *Vibrio vulnificus*. Both also expect FDA to require all states to conform to the National Shellfish Sanitation Program implemented by the ISSC and ask FDA to devote not less than $200,000 to that work. The House and the Senate are concerned about "chloramphenicol," an antibiotic, in farm-raised shrimp imports, and recommend that FDA continue testing imported shrimp at 0.3 parts per billion. In fact, the Senate provides an increase of $500,000 for the agency to develop, in cooperation with the states, a program for increased testing. By March 1, 2006, the House expects a report on the number of shrimp samples tested for antibiotics and the number of positive tests for chloramphenicol found in FY2004, in FY2005, and to date in FY2006.

The Senate wants FDA to continue to monitor additives and dyes used in farmed salmon; to understand Hawaii's history and practical experience in approving HACCP plans for seafood processing plants; to address the potential public health problems with the consumption of raw shellfish; and to continue support for food contract inspections in Alaska.

Dietary Supplements. The Senate committee report states that $5.56 million is to go to the food center's Adverse Events Reporting System (CAERS), of which $1.7 million is for dietary supplements. This amount is over the $1.1 million in the budget request, and with this money the committee wants, within 90 days of enactment, a report on the cost of such a system. The Senate also wants the agency to enforce provisions of the Dietary Supplement Health and Education Act of 1994 (DSHEA) against violative products and to issue final dietary supplement Current Good Manufacturing Practice regulations. It gave an increase of $500,000 for the review of botanicals in dietary supplements, work being conducted for the agency by the National Center for Natural Products Research in Oxford, Mississippi.

Prescription Drugs and Biologics

The House gave FDA's human drug program $519.8 million, $5.9 million (1.1%) more than the Administration's request of $513.9 million and $23.5 million (4.7%) over the final FY2005 level of $496.3 million. The Senate recommended $723.2 million for the human drugs and biologics programs, including $417.8 million in appropriations and $305.3 million in user fees.

The House bill would give the Office of Drug Safety $22.9 million, with an additional $5 million for the program to use on "the highest priority drug safety needs." Within 30 days of enactment, the House directs FDA to provide a detailed spending plan for these additional funds and other Office of Drug Safety funds. The House also expects quarterly reports giving FDA's planned changes at least for drug safety including review processes or reprogramming, plans for external review, new initiatives including education efforts or labeling changes, and the results of the Institute of Medicine study on drug safety issues. The Senate also specified increasing drug safety activities by $5 million, requesting a report on FDA's efforts, including those related to orphan products. The Senate provided $750,000 to support collaborative research (with the C-Path Institute and the University of Utah) on "cardiovascular biomarkers predictive of safety and clinical outcomes." (For further information see CRS Report RL32797, *Drug Safety and Effectiveness: Issues and Action Options After FDA Approval*.)

Saying that the Generic Drugs Program is part of the solution to high quality and affordable health care, the House expresses concern that its potential is not being met. It therefore requires that the program's base funding not be less than $56.2 million. The Senate encourages FDA to protect the incentives in current law. The House is also interested in which, if any, drugs, specifically abuse-resistant formulations of schedule II painkillers, have been given priority status because they have less potential for abuse. The House wants caregivers to get all relevant information concerning the abuse-resistant qualities of safer drugs. Also, the House directs that $15 million, and the Senate recommends that $14.4 million, be available for grants and contracts awarded under the Orphan Drug Act. The Senate asks the FDA to report on its activities regarding a monitoring system for follow-on, off-patent biologics.

The House also provides an increase of $884,000 for the review of direct-to-consumer drug advertisements because the numbers of ads have increased considerably while staff levels remained flat. (For further information, see CRS Report RL32853, *Direct-to-Consumer Advertising of Prescription Drugs*.)

Concerned with the medically and ethically appropriate use of HIV vaccines in children, the House and the Senate request that the FDA Commissioner in consultation with other public and private entities consider the logistical, regulatory, medical and ethical issues presented by pediatric testing of these vaccines. They want FDA to issue guidance within six months on what minimum requirements companies must meet to obtain approval to test an HIV vaccine in children and to receive FDA approval for a pediatric indication.

Import monitoring and inspections have taken on a more prominent role as steadily increasing amounts of drug products are being imported under FDA's "personal use" import policy. The House passed an amendment prohibiting FDA from using funds to enforce the current statute that bans importation of prescription drugs by parties other than drug companies. The Senate-passed bill is silent on the issue. The White House has raised the possibility of a veto if the drug import provision remains in the final bill. (For more on this issue, see CRS Report RL32511, *Importing Prescription Drugs: Objectives, Options, and Outlook*.)

The Senate encourages FDA to sufficiently fund its Office of Women's Health, for which the President's request includes "not less than $4 million." It also suggests several improvements to clinical trial design and the use of FDA advisory committees, including exploration of potential surrogate endpoints and other approaches to make available drugs for serious and life-threatening orphan diseases that have no other treatments. It also encourages FDA to continue its work with potential manufacturers regarding development of a vaccine against pandemic influenza.

Regarding FDA efforts to control drug counterfeiting, the Senate encourages FDA to issue draft guidance on the use of authentication technologies and to report on its efforts to learn from the experience of private companies. The Senate provides $750,000 for an FDA pilot program with the United States Pharmacopeia to prepare monographs on compounded drug preparations. Following up on FDA's report that it would be infeasible to develop a monograph system for older prescription drugs, the Senate directs the FDA to develop an alternative approach to provide for their "uniform and transparent regulation" and to prioritize enforcement resources "to address safety and effectiveness concerns." The Senate also urges FDA to develop guidance regarding evaluating benefits of acne medication before adopting the Global Evaluation Scale that some members of the public have criticized, and to report on its citizen petition process improvement efforts.

Congressional interest in financial conflicts of interest among individuals serving on FDA advisory panels is evident in amendments in both the House and Senate-passed bills despite the absence of related provisions in either committee report. Competing concerns involve attempts to free the advisory system from industry influence, while cutting off neither FDA nor industry from the help of experts. In a floor vote, the House approved an amendment (sponsored by Representative Hinchey) that would prohibit FDA's using funds in this bill to waive financial conflict-of-interest rules for advisory panel members. The Senate passed an amendment (introduced by Senator Durbin) that would prohibit use of funds if such rules were waived without notifying the Secretary and disclosing on the FDA website the conflict of interest and reasons for nevertheless appointing the individual.

Medical Devices

The Senate recommends $263.1 million in budget authority for the medical and radiologic device program, including appropriations of $222.8 million and user fees of $40.3 million. This includes $7.8 million for increased medical device review, $1.8 million above the President's request, paired with requests for biweekly updates

on planned changes to MDUFMA and a report on device review performance and spending (both user fees and appropriated funds).

Regarding diabetes treatments, the Senate urges FDA to support a workshop on how to expeditiously review promising technologies for continuous glucose monitoring, and to develop guidance and otherwise evaluate additional biomarkers and surrogate endpoints and related product development and validation regarding clinical outcomes. The Senate includes a provision to stop, by barring the use of certain funds, a contact lens industry practice of limiting distribution to eye care providers. The Senate expects that expanding distribution, as 32 state attorneys general and some members of the industry had agreed in consent decrees, would lower price and convenience obstacles to more frequent replacement of lenses, which would increase ocular health.

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 FY2006, the Administration requested $99.4 million for the CFTC, an increase of $5.8 million, or 6.2%, over FY2005. The House-passed bill provides an appropriation of $98.4 million, an increase of $4.8 million, or 5.1%, over FY2005. The Senate approved the same figure as the House, $98.4 million.

Table 7. USDA and Related Agencies Appropriations, FY2006 Action vs. FY2005 Enacted

(budget authority, in millions of $)

Agency or Major Program	FY2005 Enacted[a]	FY2006 Administration Request	FY2006 House Bill	FY2006 Senate Bill	FY2006 Conference
Title I: Agricultural Programs					
Agric. Research Service (ARS)	1,288.3	1,060.9	1,122.8	1,270.6	**
Coop. State Research Education and Extension Service (CSREES)	1,161.7	1,018.2	1,130.7	1,167.3	**
Economic Research Service (ERS)	74.2	80.7	75.9	78.5	**
National Agric. Statistics Service (NASS)	128.4	145.2	136.2	145.2	**
Animal and Plant Health Inspection Service (APHIS)	813.0	860.2	847.5	812.8	**
Agric. Marketing Service (AMS)	94.7	101.5	95.4	96.5	**
Grain Inspection , Packers and Stockyards Admin. (GIPSA)	37.0	15.7	38.4	38.4	**
Food Safety & Inspection Serv. (FSIS)	817.2	710.7	837.3	836.8	**
Farm Service Agency (FSA) - Total Salaries and Expenses	1,294.9	1,365.1	1,325.9	1,357.7	**
FSA Farm Loans - Subsidy Level	156.5	154.1	151.4	150.8	**
**Farm Loan Authority*	*3,717.8*	*3,803.3*	*3,818.3*	*3,743.0*	**
Risk Management Agency (RMA) Salaries and Expenses	71.5	87.8	77.8	73.4	**
Federal Crop Insurance Corp.[b]	4,095.1	3,159.4	3,159.4	3,159.4	**
Commodity Credit Corp. (CCC)[b]	16,452.4	25,690.0	25,690.0	25,690.0	**
Other Agencies and Programs	556.5	632.0	507.2	573.6	**
Subtotal	**27,041.5**	**35,081.5**	**35,196.0**	**35,451.2**	****
Title II: Conservation Programs					
Conservation Operations	830.7	767.8	773.6	819.6	**
Watershed Surveys and Planning	7.0	5.1	7.0	5.1	**
Watershed & Flood Prevention	75.0	0.0	60.0	60.0	**
Watershed Rehabilitation Program	27.3	15.1	47.0	27.3	**
Resource Conservation & Development	51.2	25.6	51.4	51.2	**
NRCS Under Secretary	0.7	0.7	0.7	0.7	**
Subtotal	**991.9**	**814.4**	**939.8**	**964.0**	****

Agency or Major Program	FY2005 Enacted[a]	FY2006 Admini-stration Request	FY2006 House Bill	FY2006 Senate Bill	FY2006 Confer-ence
Title III: Rural Development (RD)					
Rural Community Advancement Program (RCAP)	710.3	521.7	657.4	705.1	**
Salaries and Expenses	147.3	167.8	152.6	164.8	**
Rural Housing Service (RHS)	1,369.7	1,626.9	1,446.4	1,471.6	**
** RHS Loan Authority*	*4,683.3*	*4,965.6*	*5,079.3*	*4,927.6*	**
Rural Business-Cooperative Service	83.7	57.4	121.4	86.8	**
** RBCS Loan Authority*	*58.7*	*59.2*	*59.2*	*59.2*	**
Rural Utilities Service (RUS)	102.2	83.6	92.5	105.6	**
** RUS Loan Authority*	*5,606.0*	*3,548.9*	*5,507.9*	*6,745.0*	**
RD Under Secretary	0.6	0.6	0.6	0.6	**
Subtotal	**2,413.8**	**2,458.1**	**2,471.0**	**2,534.5**	**
** Subtotal, RD Loan Authority*	*10,348.0*	*8,573.7*	*10,646.4*	*11,731.8*	**
Title IV: Domestic Food Programs					
Child Nutrition Programs	11,782.0	12,416.0	12,412.0	12,422.0	**
WIC Program	5,235.0	5,510.0	5,257.0	5,257.0	**
Food Stamp Program	35,154.6	40,711.4	40,711.4	40,711.4	**
Commodity Assistance Program	177.4	177.9	178.8	179.9	**
Nutrition Programs Admin.	138.8	140.8	140.8	140.8	**
Office of Under Secretary	0.6	0.6	0.6	0.6	**
Subtotal	**52,488.4**	**58,956.7**	**58,700.6**	**58,711.7**	**
Title V: Foreign Assistance					
Foreign Agric. Service (FAS)	136.7	148.8	148.2	147.9	**
Public Law (P.L.) 480	1,293.0	965.4	1,187.5	1,230.4	**
McGovern- Dole International Food for Education	86.8	100.0	100.0	100.0	**
CCC Export Loan Salaries	4.4	5.3	5.3	5.3	**
Subtotal	**1,520.9**	**1,219.4**	**1,441.0**	**1,483.5**	**
Title VI: FDA & Related Agencies					
Food and Drug Administration	1,450.1	1,499.7	1,486.0	1,492.0	**
Commodity Futures Trading Commission (CFTC)	93.6	99.4	98.4	98.4	**
Subtotal	**1,543.7**	**1,599.1**	**1,584.4**	**1,590.4**	**
Title VII: General Provisions[c]	**(409.8)**	**3.6**	**(11.0)**	**(17.3)**	**

Agency or Major Program	FY2005 Enacted[a]	FY2006 Administration Request	FY2006 House Bill	FY2006 Senate Bill	FY2006 Conference
RECAPITULATION					
I: Agricultural Programs	27,041.5	35,081.5	35,196.0	35,451.2	**
Mandatory	20,563.4	28,865.5	28,865.5	28,865.5	**
Discretionary	6,478.1	6,216.0	6,330.4	6,585.7	**
II: Conservation Programs	991.9	814.4	939.8	964.0	**
III: Rural Development	2,413.8	2,458.1	2,471.0	2,534.5	**
IV: Domestic Food Programs	52,488.4	58,956.7	58,700.6	58,711.7	**
Mandatory	46,936.6	53,126.4	53,122.4	53,118.4	**
Discretionary	5,551.8	5,830.3	5,578.2	5,593.3	**
V: Foreign Assistance	1,520.9	1,219.4	1,441.0	1,483.5	**
VI: FDA & Related Agencies	1,543.7	1,599.1	1,584.4	1,590.4	**
VII: General Provisions	(409.8)	3.6	(11.0)	(17.3)	**
Total, Before Adjustments	**85,590.4**	**100,133**	**100,322**	**100,718**	****
Scorekeeping Adjustments[d]	(464.0)	(571.5)	(669.9)	(552.0)	**
Grand Total, After CBO Scorekeeping Adjustments	**85,126.4**	**99,561.4**	**99,651.7**	**100,166**	****
Mandatory Programs	68,294.0	82,822.0	82,822.0	82,818.0	**
Discretionary Programs	16,832.5	16,739.4	16,829.8	17,348.0	**
Budget Allocation (302(b))	n/a	n/a	16,832.0	17,348.0	**
Other emergency appropriations not in this bill[e]	3,849.0	0	0	0	**

Source: CRS, using tables from the House and Senate Appropriations Committees**.**

* indicates the amount of loans (authority) that can be made. The appropriation includes only the subsidy.
** indicates FY2006 bills or amounts that are pending.

a. FY2005 enacted levels include appropriations in the Consolidated Appropriations Act, 2005 (P.L. 108-447), adjusted for the 0.8% across-the-board rescission to all discretionary accounts.
b. 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 are USDA estimates of the necessary appropriations, which are subject to change.
c. General provisions in Title VII affect programs administered under various other titles.
d. Scorekeeping adjustments reflect the savings or cost of provisions that affect mandatory programs (as estimated by the Congressional Budget Office (CBO)), plus the permanent annual appropriation made to USDA's Section 32 program. Adjustments for the FY2005 appropriation exclude emergency appropriations. Adjustments for the FY2006 request are Administration estimates and do not reflect an official CBO score.
e. The Hurricane Disaster Act of 2005 (P.L.108-324) contained $2.9 billion in emergency assistance for producers and $575 million in other emergency funds for conservation and rural development programs. The Emergency Supplemental Appropriations of 2005 (P.L. 109-13) contained $344 million in P.L. 480 food assistance grants and conservation watershed programs.