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Agriculture and Related Agencies: FY2007 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.

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Agriculture and Related Agencies: FY2007 Appropriations

Summary

The Agriculture and Related Agencies appropriations bill includes all of USDA (except the Forest Service), plus the Food and Drug Administration and the Commodity Futures Trading Commission. On June 22, 2006, the Senate Appropriations Committee reported the FY2007 agriculture appropriations bill (H.R. 5384, S.Rept. 109-266). The full House passed its version on May 23, 2006 (H.R. 5384, H.Rept. 109-463). Because a final bill has not been enacted, a continuing resolution is providing funds through December 8, 2006 (P.L. 109-369).

The Senate-reported bill provides a total of $94.6 billion, $691 million (+0.7%) more than the $93.9 billion House-passed bill. In addition, the Senate-reported bill includes $4 billion of emergency agricultural disaster assistance, which does not count against budgetary caps. The House bill has no disaster provisions.

The Senate bill provides $18.2 billion in "net" discretionary appropriations, $391 million (+2.2%) more than the House bill, and is $1.4 billion above FY2006. Because both bills limit certain mandatory programs, the "gross" amounts are higher. The Senate's $18.7 billion "gross" discretionary subtotal is 1.5% more than the House's $18.4 billion, and 0.8% above FY2006.

About $76 billion, or about 81%, of both bills is for mandatory programs (e.g., Commodity Credit Corporation, crop insurance, and most food and nutrition programs). Mandatory funding would decline nearly $7 billion from FY2006, due to how crop subsidies are financed and economic conditions for food stamps.

The House bill would allow prescription drug importation, and the Senate bill would facilitate travel to Cuba for selling licensed agricultural and medical goods. Both provisions have drawn veto threats from the White House in previous years.

Two farm commodity provisions were stripped from the House bill by points of order for legislating in an appropriations bill. The provisions would have amended the 2002 farm bill to extend the Milk Income Loss Contract (MILC) and a peanut storage subsidy. The peanut storage subsidy is in the Senate-reported bill.

The Senate-reported bill reduces rural development programs by 11% from FY2006 (-14% in the House bill). Discretionary conservation programs fall by $3 million in the Senate bill and $75 million in the House bill. Animal and plant health programs rise $94 million (+12%) in the Senate and $115 million in the House, addressing avian flu preparedness and invasive species eradication. Both bills reject the Administration's proposal to award more research funds competitively.

Both bills reject an Administration proposal to terminate the Commodity Supplemental Food Program. Moreover, the House bill would provide $25 million of discretionary funds to expand a fresh fruit and vegetable program to school in all states, while the Senate bill would add $9 million in discretionary funds to a $9 million mandatory pool. This report will be updated as events warrant.

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Contents

List of Figures

List of Tables

Agriculture and Related Agencies: Appropriations for FY2007

Most Recent Developments

The annual agriculture appropriations law 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. A continuing resolution is providing temporary funding for FY2007 through December 8, 2006 (P.L. 109-369). The full Senate may take up the agriculture appropriations bill on December 5 to consider an emergency disaster provision.

The Senate Appropriations Committee reported the FY2007 agriculture appropriations bill on June 22, 2006 (H.R. 5384, S.Rept. 109-266). The full House passed its version on May 23, 2006 (H.R. 5384, H.Rept. 109-463).

The Senate-reported bill provides a total of $94.6 billion, $691 million (+0.7%) more than the $93.9 billion House-passed bill. In addition, the Senate-reported bill includes $4 billion of emergency agricultural disaster assistance, which does not count against budgetary caps. The House bill has no disaster provisions.

The Senate bill provides $18.2 billion in "net" discretionary appropriations, $391 million (+2.2%) more than the $17.8 billion House bill, and is $1.4 billion above FY2006. Because the bills limit certain mandatory programs, the "gross" discretionary amounts are higher. The Senate's $18.7 billion "gross" discretionary subtotal is 1.5% more than the House's $18.4 billion, and 0.8% more than FY2006.

For mandatory programs, the Senate bill includes $76.4 billion, $300 million (+0.4%) more than the House bill. This would be down nearly $7 billion from FY2006, mostly due to changing economic conditions.

Components of Agriculture Appropriations

USDA Activities

The U.S. Department of Agriculture (USDA) carries out widely varied responsibilities through about 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 by USDA is not synonymous with farm program spending. 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 USDA Forest Service.

Figure 1. USDA Appropriations, FY2006

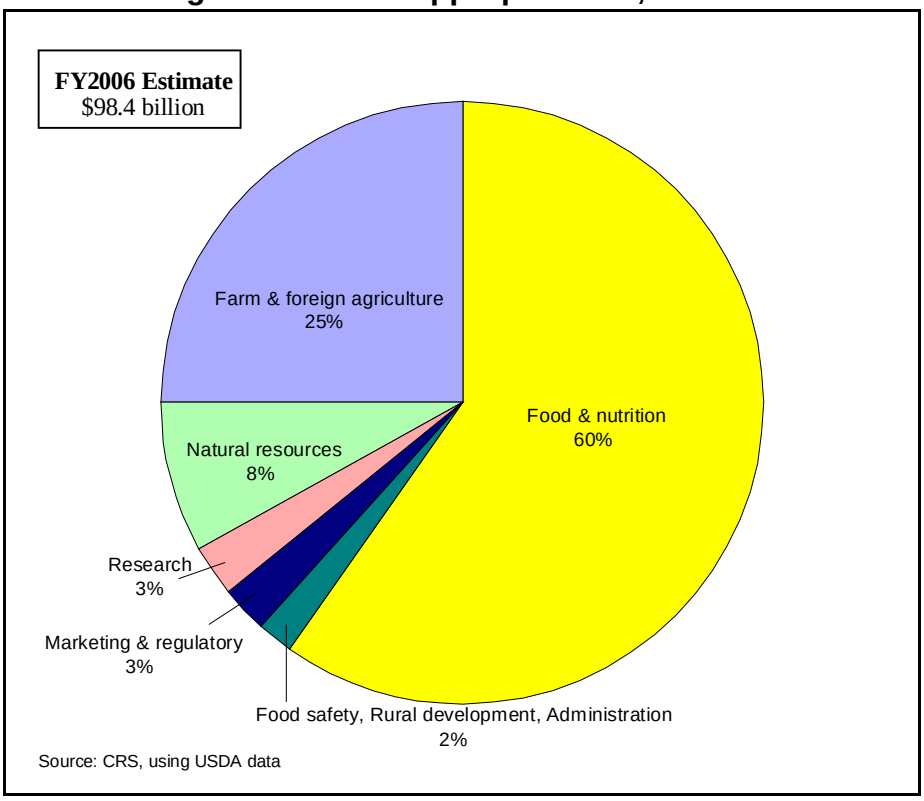
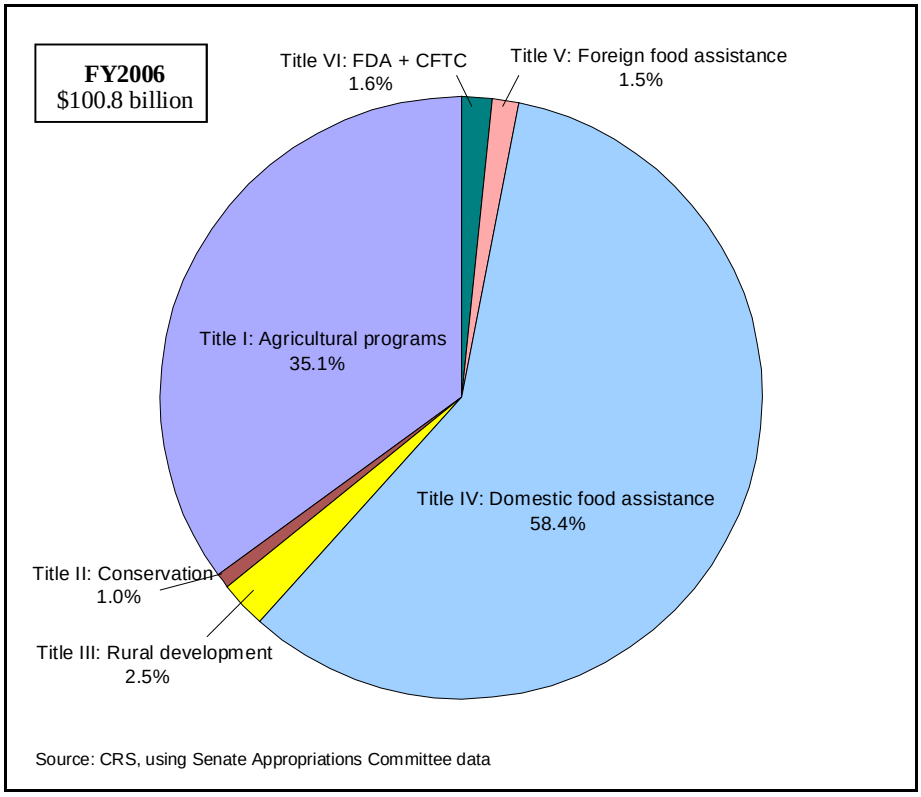


Figure 2. Agriculture and Related Agencies Appropriations, FY2006



USDA reports a total appropriation (budget authority) of $98.4 billion for FY2006. Food and nutrition programs comprise the largest mission area with $58.9 billion, or 60% of the total, to support the food stamp program, the nutrition program for Women, Infants, and Children (WIC), and child nutrition programs (**Figure 1**).

The second-largest mission area in terms of appropriations is farm and foreign agricultural services, which totaled $24.4 billion (25%) of USDA's FY2006 appropriation. This mission area includes the farm commodity price and income support programs of the Commodity Credit Corporation, certain mandatory conservation and trade programs, crop insurance, farm loans, and foreign food aid programs.

Other USDA activities include natural resource and environmental programs (8% of the total), research and education programs (3%), marketing and regulatory programs (3%), and food safety and rural development.

Nearly two-thirds of the appropriation for the natural resources mission area goes to the Forest Service (about $5 billion), which is funded through the Interior appropriations bill. The Forest Service, included with natural resources in **Figure 1**, is the only USDA agency not funded through the agriculture appropriations bill.

USDA defines its programs using "mission areas" which do not always correspond to categories in the agriculture appropriations bill. For example, foreign agricultural assistance programs are a separate title (Title V) in the appropriations bill, but are joined with domestic farm support in USDA's "farm and foreign agriculture" mission area (compare **Figure 1** with **Figure 2**). Conversely, USDA has separate mission areas for marketing and regulatory programs, and agricultural research, but both are joined with other domestic farm support programs in Title I (agricultural programs) of the appropriations bill.

Related Agencies

In addition to the USDA agencies mentioned above, the agriculture appropriations subcommittees have jurisdiction over appropriations for the Food and Drug Administration (FDA) of the Department of Health and Human Service (HHS) and the Commodity Future Trading Commission (CFTC, an independent regulatory agency). These agencies are included in the agriculture appropriations bill because of their historical connection to food and agricultural markets. However, food and agricultural issues have become less dominant in these agencies as medical and drug issues have grown in FDA and non-agricultural futures have grown in CFTC. Their combined share of the overall agriculture and related agencies appropriations bill is usually less than 2% (see Title VI in **Figure 2**).

Mandatory vs. Discretionary Spending

Mandatory and discretionary spending are treated differently 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 provide funding to continue current activities as well as any new discretionary programs.

Approximately 80% of the total agriculture and related agencies appropriation is classified as mandatory, which by definition occurs outside of annual appropriations (**Table 1**). The vast majority of USDA's mandatory spending is for the following programs: the food stamp program, most child nutrition programs, the farm commodity price and income support programs (authorized by the 2002 farm bill and various disaster/emergency appropriations), the federal crop insurance program, and various agricultural conservation and trade programs. Mandatory spending is highly variable and driven by program participation rates, economic conditions, and weather patterns (**Figure 3**).

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.

The other 20% of the agriculture and related agencies appropriations bill is for discretionary programs. Major discretionary programs include 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.

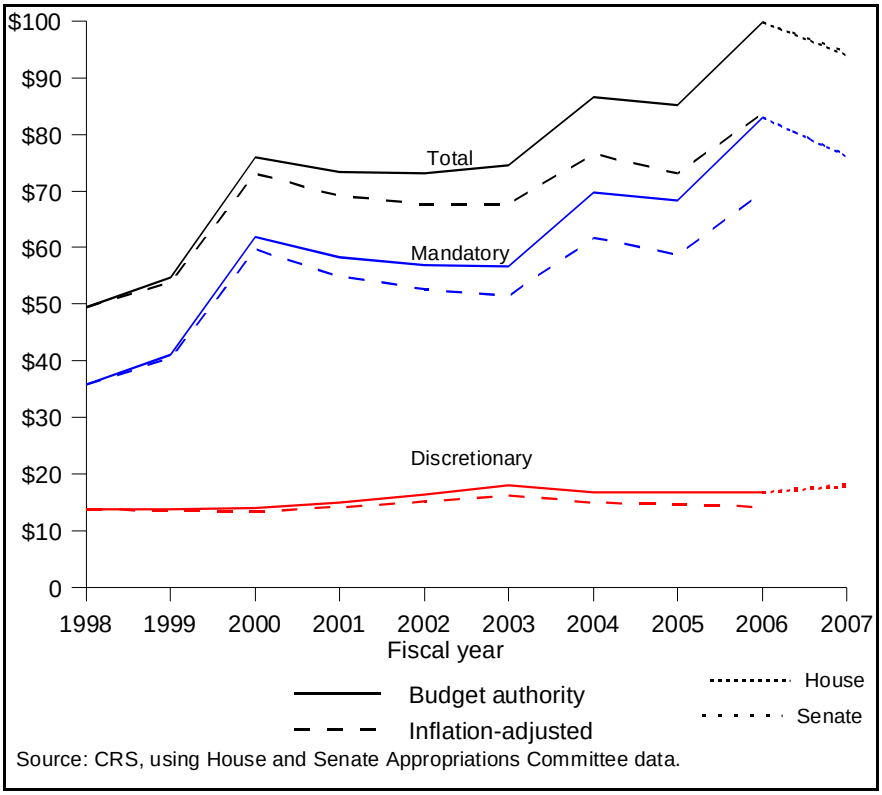
Table 1. Agriculture and Related Agencies Appropriations: FY1998-FY2007

(budget authority in billions of dollars)

	Fiscal year									FY2007**	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	House	Senate
Mandatory	35.8	41.0	62.0	58.3	56.9	56.7	69.7	68.3	83.1	76.1	76.4
Discretionary	13.8	13.7	13.9	15.0	16.3	17.9	16.8	16.8	16.8	17.8	18.2
Total	**49.6**	**54.7**	**75.9**	**73.3**	**73.2**	**74.6**	**86.6**	**85.1**	**99.8**	**93.9**	**94.6**
Percent discretionary	28%	25%	18%	20%	22%	24%	19%	20%	17%	19%	19%

Source: CRS, using tables from the House and Senate Appropriations Committees.
** Pending.
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 mandatory emergency supplemental appropriations. Amounts reflect rescissions that were applied to the final appropriation.

Figure 3. Mandatory and Discretionary Appropriations
(budget authority, in billions of dollars)



Source: CRS, using House and Senate Appropriations Committee data.

Action on FY2007 Appropriations

The agriculture appropriations bill includes all of the USDA (except the Forest Service), plus the Food and Drug Administration and the Commodity Futures Trading Commission. Because the FY2007 fiscal year began before all of the appropriations bills were enacted, including the agriculture appropriations bill, Congress has passed two continuing resolutions to continue funding the government. The first provided temporary funding through November 17 (Division B of P.L. 109-289). The second provides funds through December 8 (P.L. 109-369).

On the possibility that the agriculture appropriations bill would come to the Senate floor between November 15 and 17, thirty amendments were submitted over November 15 and 16 for floor debate. Fourteen amendments were by Senator Coburn to strike or otherwise affect earmarks. Senator Vitter submitted two regarding prescription drug imports, and one by Senator Martinez would strike a Cuba travel amendment. Floor action had been promised in return for Senator Conrad withdrawing a crop disaster amendment from the military construction appropriations bill on November 14. However, other Senators blocked floor action on the agriculture bill the next day due to fiscal concerns over the disaster amendment. The Senate majority leader has promised Senator Conrad floor consideration of the disaster amendment when the Senate reconvenes December 5. It remains unknown whether the full agriculture appropriations bill will be voted on

in the Senate, combined in an omnibus appropriations bill, or delayed until the 110th Congress using another continuing resolution.

The Senate Appropriations Committee reported the FY2007 agriculture appropriations bill on June 22, 2006, by a vote of 28-0 (H.R. 5384, S.Rept. 109-266). Subcommittee markup occurred on June 20, 2006 (**Table 2**).

The full House passed its version on May 23, 2006, by a vote of 378-46 (H.R. 5384, H.Rept. 109-463). On the floor, the House added 17 amendments and stripped three provisions from the bill on points of order. Another 13 amendments were rejected (eight targeting earmarks), and 10 other amendments were withdrawn. The full Committee on Appropriations reported the bill on May 9, 2006, by voice vote, after subcommittee markup on May 3, 2006.

Table 2. Congressional Action on FY2007 Agriculture Appropriations

Subcommittee Approval		Committee Approval		House Passage	Senate Passage	Conference Report	Conference Report Approval		Public Law
House	Senate	House	Senate				House	Senate	
		H.R. 5384 H.Rept. 109-463	H.R. 5384 S.Rept. 109-266						
vv	vv	vv	Vote of 28-0	Vote of 378-46	**	**	**	**	**
5/3/06	6/20/06	5/9/06	6/22/06	5/23/06					

** Pending. vv Voice vote.

The Senate-reported bill provides a total of $94.6 billion, $691 million (+0.7%) more than the House-passed bill. The Senate bill provides $18.2 billion in "net" discretionary appropriations, $391 million (+2.2%) more than the $17.8 billion in the House bill, $890 million more than the Administration's request, and $1.4 billion above FY2006 (**Table 3**). The "net" discretionary figure is the amount used for scorekeeping purposes. For mandatory programs, the Senate bill includes $76.4 billion, $300 million (+0.4%) more than the House bill, and is nearly equal to the Administration's request. Appropriations for mandatory programs would be down nearly $7 billion from FY2006, mostly due to how crop subsidies are financed and changing economic conditions for food stamps.

Because of accounting practices, the discretionary amounts that the bills actually would provide are higher. The Senate bill actually would provide $18.7 billion in "gross" discretionary appropriations, and the House bill $18.4 billion. These higher amounts result from adding money above the official discretionary caps which is offset by reducing certain mandatory programs, as discussed in the next section. The $18.7 billion "gross" discretionary subtotal in the Senate bill is $273 million (+1.5%) more than the comparable amount in the House bill, $802 million (+4.5%) more than the Administration's request, and $142 million (+0.8%) more than the FY2006 level. Thus, House's "gross" discretionary subtotal is $130 million (-0.7%) below FY2006.

Table 3. Agriculture Appropriations: FY2006 Enacted vs. FY2007 Action

(budget authority in billions of dollars)

Category	FY2006	FY2007			Difference	
	Enacted	Admin. Request	House Bill	Senate Bill	Senate vs. 2006	Senate vs. House
Subtotal before adjustments:						
"Gross" discretionary *	18.6	17.9	18.4	18.7	0.14	0.27
Mandatory	82.2	75.4	75.1	75.4	(6.8)	0.30
Emergency ag assistance	—	—	—	4.0	—	4.00
Subtotal *	**100.8**	**93.3**	**93.5**	**98.1**		**4.57**
Official score:						
"Net" discretionary	16.8	17.3	17.8	18.2	1.4	0.39
Mandatory	83.1	76.4	76.1	76.4	(6.7)	0.30
Total	**99.8**	**93.7**	**93.9**	**94.6**	**(5.3)**	**0.69**

Source: CRS, using tables from the House and Senate Appropriations Committee.
* Senate subtotals in this table exclude $160 million for the Veterans Administration (Section 756).

In addition, the Senate-reported bill includes $4 billion of emergency agricultural disaster assistance, which does not count against budgetary caps. These disaster provisions were part of a recent Senate-passed bill (H.R. 4939) but were removed during conference over P.L. 109-234. (Another emergency provision in the Senate-reported bill would provide $160 million to the Veteran's Administration as a result of a technology security breach, but subsequent developments likely eliminate the need for this provision.) The House-passed version of the agriculture appropriations bill does not include any emergency or disaster provisions.

Regarding overall funding guidelines, the House and Senate each passed an FY2007 budget resolution (H.Con.Res. 376, and S.Con.Res. 83), but the two chambers did not agree on a joint version. To guide subcommittee spending, the House appropriations committee approved 302(b) allocations on May 9, 2006, providing $17.812 billion for the agriculture bill. The Senate adopted 302(b) allocations on June 22, 2006, providing $18.2 billion for agriculture bill. For more information about the budget resolutions, see CRS Report RL33282, *The Budget for Fiscal Year 2007*.

The Administration released its FY2007 budget request on February 6, 2006, seeking $93.7 billion for agencies funded through the agriculture appropriations bill. Both the House and Senate agriculture appropriations subcommittees held hearings on the request.

See **Table 12** at the end of this report for a tabular summary of each agency at various stages during the appropriations process.

Limits on Mandatory Programs

In recent years, appropriators have placed limitations on mandatory spending authorized in the 2002 farm bill (P.L. 107-171) for various mandatory conservation, rural development, and research programs.[1] The savings achieved by limiting mandatory programs in this way are counted as "scorekeeping adjustments," and can be used to fund discretionary programs at a higher level than allowed by the discretionary spending cap (the 302(b) allocation).

For FY2007, the House-passed bill contains $505 million in reductions to mandatory programs ($483 million in conservation and $22 million in rural development), while the Senate-reported bill contains $396 million in reductions ($371 million in conservation and $25 million in rural development). The Administration proposed $490 million in such reductions.

The proposed reductions for FY2007 would be much smaller reductions than the actual reductions in previous years (e.g., $1.5 billion in FY2006 and $1.2 billion in FY2005), mostly because of savings already scored by the agriculture authorizing committees under budget reconciliation last year. The Deficit Reduction Act of 2005 (P.L. 109-171) reduced the authorized level of several mandatory programs which appropriators have limited in recent years, and those savings were scored for budget reconciliation and are no longer available to appropriators.

With less room for scorekeeping adjustments, a higher "net" discretionary budget allocation (302(b)) will be necessary to achieve the same level of "gross" discretionary program activity. The 302(b) discretionary allocation in the House is $17.812 billion, up about $1 billion from FY2006. In the Senate, the 302(b) allocation is $18.2 billion, up about $850 million from FY2006.

These accounting distinctions help explain why "gross" discretionary programs recommended by the bill are within 1% of FY2006 levels (declining about $130 million from FY2006 in the House bill, and increasing $140 million in the Senate bill), even though the "net" discretionary amount — which tracks the official 302(b) allocation — is increasing by about $1 billion (+6.1%) in the House bill and $1.4 billion (+8.5%) in the Senate bill (**Table 3** and **Table 12**).

For more details on the limits placed on mandatory programs, see **Table 8** in the conservation section and **Table 9** in the rural development section of this report. For more on the reductions in authorized levels made by the Deficit Reduction Act of 2005, see CRS Report RS22086, *Agriculture and FY2006 Budget Reconciliation*, by Ralph M. Chite.

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[1] Limits on mandatory programs usually have been achieved by provisions in Title VII, General Provisions, using language such as, "None of the funds appropriated or otherwise made available by this or any other Act shall be used to pay the salaries and expenses of personnel to carry out section [...] of Public Law [...] in excess of $[...]."

Earmarks

In recent years, the agriculture appropriations bill has contained 600-700 earmarks totaling about $500 million, or 3% of the discretionary total (**Table 4**). For these figures, an earmark is defined as any designation in the appropriations act or accompanying reports (conference, House, or Senate) which allocates a portion of the appropriation for a specific project, location or institution. Most of these earmarks originated in Congress. Although some may have been requested by the Administration, most of the Administration's requests are not so specific (e.g., institution or location) as to be counted as earmarks for these purposes.[2]

For FY2006, about half of the total number of earmarks and 40% of the dollar value are for agricultural research at USDA or in universities. Another third of the earmarks and about 40% of the value are for conservation projects. The rest are for rural development, and animal and plant health programs.

The number and dollar amount of earmarks in FY2006 are relatively close to the levels in FY2005 and FY2004. However, compared to FY2000, the FY2006 earmarks are 86% higher in value and 92% greater in number.

Table 4. Earmarks in Agriculture Appropriations

(millions of dollars)

Fiscal year	Total discretionary appropriation *	Total $ value of earmarks **	Earmarks as % of discretionary appropriation	Number of earmarks
2006	$17,031	$504.9	3.0%	689
2005	$16,833	$500.5	3.0%	704
2004	$16,943	$500.4	3.0%	660
2002	$16,018	$558.8	3.5%	629
2000	$13,988	$271.2	1.9%	359
1998	$13,751	$286.5	2.1%	284
1996	$13,310	$165.6	1.2%	211
1994	$14,500	$218.6	1.5%	313

Sources: CRS estimates derived from the agriculture appropriations acts of FY2006 (P.L. 109-97), FY2005 (P.L. 108-447), FY2004 (P.L. 108-199), FY2002 (P.L. 107-76), FY2000 (P.L. 106-78), FY1998 (P.L. 105-86), FY1996 (P.L. 104-37), and FY1994 (P.L. 103-111) and their accompanying conference reports and House and Senate Appropriations Committee reports. The Agricultural Research Service (ARS) budget office provided the number and dollar value of specific projects funded by Congress, whether or not requested by the Administration. Figures for the Natural Resources Conservation Service (NRCS) were provided by the NRCS budget office.

* Before accounting for any rescissions. ** Earmarks are defined as any designation in the agriculture appropriations act or accompanying joint explanatory statement of the conference committee, House Appropriations Committee report, or Senate Appropriations Committee report that allocates a portion of the discretionary appropriation for a specific project, location, or institution.

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[2] CRS General Distribution Memo, *Earmarks in FY2006 Appropriations Acts*, by the CRS Appropriations Team, March 6, 2006, 35 pp.

For the FY2007 bill, the earmark issue was raised on the House floor when Representative Flake offered eight amendments to restrict funding for specific earmarked projects. All of these amendments were defeated, including three by recorded votes (92-325, 90-328, and 87-328). Earmark sponsors spoke on the floor to explain and justify the projects. They said that cancelling earmarks would not necessarily reduce overall spending, but would lessen Congress's role in directing spending and leave more to the discretion of the executive branch. Opponents of the earmarks said that without such amendments, earmarks are not debated, nor are the sponsors known.

On November 15, Senator Coburn submitted 14 amendments for floor consideration, 11 of which would strike earmarks for agricultural research, animal control, or rural development. Three affect earmarks generally, including one that would define an earmark and require USDA to create an Internet database identifying earmarks, showing their cost, and "grading" the earmarks according to their utility in meeting the department's primary goals (S.Amdt. 5163). Another (S.Amdt. 5164) would require earmarks to be listed in the conference report in order to be considered approved by both the House and Senate, as opposed to past years when language was included in the conference report allowing earmarks in House or Senate reports to be enacted without being restated.

Travel to Cuba

The Senate-reported bill includes an amendment by Senator Dorgan to facilitate travel related to licensed sales of agricultural and medical goods to Cuba (Sec. 755). There is no similar provision in the House-passed bill. Senator Martinez submitted an amendment (S.Amdt. 5191) on November 16, 2006, to strike Section 755, and it could be debated if the agriculture bill is brought to the floor.

Similar provisions facilitating travel to Cuba were included in the Senate versions of the FY2004 and FY2005 agriculture appropriations bills, but were removed in conference committee. At those times, the White House stated that the bill could be vetoed if such a provision was included.

For more background on restrictions on travel to Cuba, see the section "Legislative Developments: Provisions in Appropriations Bills" in CRS Report RL33499, *Exempting Food and Agriculture Products from U.S. Economic Sanctions: Status and Implementation*, by Remy Jurenas.

User Fee Proposals

For many years, administrations from both parties have proposed new user fees for various agency accounts. Administration officials assert that the new fees are needed to achieve budgetary savings or that the regulatory or inspection activities should be paid for by users of those services and not all taxpayers.

Neither the FY2007 House-passed bill nor the Senate-reported bill endorse these proposals. Both bills either explicitly reject the proposals in report language, or ignore them. This is consistent with previous years when administrations have

proposed fees and Congress has rejected them. If the Administration builds these proposed fees into its overall budget and Congress does not enact the fees, appropriators must reduce some agency's activity or appropriate more than requested.

For FY2007, the Administration requested $335 million in new user fees. Separate legislation, usually involving the authorizing committee, would be required to enact such fees. The proposals amount to $182 million for USDA, $127 million for CFTC, and $26 million for FDA (**Table 5**).

Table 5. New User Fees Requested by Administration
(millions of dollars)

Agency and program	Proposed user fees
Food Safety and Inspection Service — certain extra inspections	$105
Animal and Plant Health Inspection Service — animal welfare	8
Agricultural Marketing Service — grade standards, marketing orders	14
Grain Inspection, Packers, and Stockyards — grain standards, licenses	20
Farm Service Agency — loan deficiency payment, conservation reserve	35
Subtotal USDA	182
Food and Drug Administration — reinspection, food export fee	26
Commodity Futures Trading Commission: Regulatory fees	127
Subtotal related agencies	153
Total proposed user fees	**335**

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

The remaining sections of this report compare the Administration's budget request with FY2006 appropriated levels for various sections of the appropriations bill. For a tabular summary, see **Table 12** at the end of this report.

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. This amounts to about 95% of USDA's total appropriation.

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.[3] Emergency supplemental spending also has been paid from the CCC over the years, particularly for *ad hoc* farm disaster payments, and direct market loss payments to growers of various commodities 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. Congress generally provides this infusion through the annual USDA appropriation law. Because most of this spending rises or falls automatically on economic or weather conditions, funding needs are sometimes difficult to estimate. In recent years, the CCC has received a "current indefinite appropriation," which provides "such sums as are necessary" during the fiscal year.

The estimated CCC appropriation is not a reflection of expected outlays. Outlays (net expenditures) in FY2007 will be funded initially through the borrowing authority of the CCC, and reimbursed through a separate (possibly future) appropriation. For FY2007, USDA projects that CCC net expenditures will be $19.4 billion, compared with an estimated $20.2 billion in FY2006 (**Table 6**).

For FY2007, both the Senate-reported bill and the House-passed bill concur with the Administration request for an indefinite appropriation ("such sums as necessary") for CCC, which is estimated to be $19.74 billion. This is $5.95 billion below the estimate that accompanied the FY2006 appropriation (-23%). The estimates do not reflect any changes in programs enacted in the appropriations acts. Instead, they generally track changes in the CCC's net realized losses (spending) incurred in the same or preceding fiscal years under the mandatory provisions authorized in the 2002 farm bill. The amount actually transferred ("such sums and necessary") may differ from the initial estimate without penalty (**Figure 4**). For example, in FY2004, the amount actually transferred to CCC was larger than the initial estimate; in FY2005, the amount transferred was smaller than the initial estimate (**Table 6**).

Table 6. Commodity Credit Corporation (CCC) Outlays and Appropriations

(millions of dollars)

Category	FY2004	FY2005	FY2006	FY2007
CCC net expenditures	10,668	20,657	20,185*	19,362*
Appropriations ("such sums as necessary")				
Initial estimate	17,275	16,452	25,690	19,740
Actually transferred to CCC	22,937	12,456	25,431*	—

Source: USDA, "Table 35. CCC Net Outlays by Commodity and Function" (Feb. 6, 2006), and "Output 7: CCC Financing Status," *Commodity Estimates Book* (Feb. 6, 2006).
* estimated

[3] For more background on the CCC, including fact sheets, listing of officers, statute, and bylaws, see [http://www.fsa.usda.gov/ccc/].

Commodity Program Changes. The House Appropriations committee adopted two amendments that would have revised certain terms of the farm commodity programs in the 2002 farm bill. However, both amendments were stripped from the House bill on the floor by points of order for legislating in an appropriations bill. The Senate-reported bill includes one of these provisions.

MILC Extension. The House Appropriations Committee adopted an Obey amendment to H.R. 5384 that effectively would have extended the legislative authority for the Milk Income Loss Contract (MILC) program by one month until September 30, 2007, and preserved baseline spending for the program for future years. However, the provision was deleted from the bill on the House floor on a point of order that it constituted legislating in an appropriations bill. Some Members also were concerned that the provision had budget implications beyond the one-year life of the appropriations bill. The Senate-reported version of H.R. 5384 is silent on this issue.

The MILC program pays participating farmers when farm milk prices fall below a target price. The program was originally authorized by the 2002 farm bill and had expired on September 30, 2005. The Deficit Reduction Act of 2006 (P.L. 109-171) retroactively extended the program until September 30, 2007. However, it reduced the payment rate to 0% for September 2007. This means that under current law, when the next farm bill is debated, the MILC program will have no funding in the baseline budget since the 0% payment rate would be assumed for future years. If the Obey amendment were adopted into law, the current 34% payment rate would be assumed for future years' spending, which CBO estimated would add $1.8 billion to the baseline budget over the next five years (FY2007-2011). For more information on the MILC program, see CRS Report RL33475, *Dairy Policy Issues*.

Peanut Storage Subsidy. In the House, the appropriations committee adopted a Kingston amendment that would have extended a peanut storage subsidy. However, the provision was deleted from the bill on the House floor on a point of order that it constituted legislating in an appropriations bill. The Senate-reported bill includes an similar provision (sec. 754) to extend the peanut storage subsidy.

The storage payments initially were authorized by the 2002 farm bill, but are set to expire this year. Extending the subsidy would provide one more year's worth of such storage payments, which are unique to peanuts.

Administration's Legislative Proposal. The Administration's FY2007 budget request contains legislative proposals to reduce farm commodity program spending by $1.1 billion in FY2007 (a 6.2% cut) and $7.7 billion over ten years. The Administration proposes tightening payment limits, making a 5% across-the-board cut to direct payments, charging an assessment on dairy and sugar marketings, and allowing USDA to adjust purchase prices of surplus dairy products to reduce outlays.

The House-passed FY2007 agriculture appropriations bill does not address this proposal. Separate legislation would be required to enact any of these proposed changes. The House-passed version of the budget resolution (H.Con.Res. 376) calls for the Agriculture Committee to report only a small reconciliation package totaling

$55 million over FY2007-FY2011, while the Senate version (S.Con.Res. 83) does not include any reconciliation instructions for agriculture.

The Administration proposed similar commodity program cuts in February 2005, but Congress rejected those proposals during final consideration of the Deficit Reduction Act of 2005 (P.L. 109-171).[4]

Emergency Agricultural Disaster Assistance. Title VIII of the Senate-reported version of the FY2007 agriculture appropriations bill (H.R. 5384) contains an estimated $4 billion in emergency FY2007 funding for crop and livestock farmers nationwide in response to natural disasters and to supplement farmer income. No emergency assistance is contained in the House-passed version of H.R. 5384.

The Senate bill includes an estimated $1 billion in crop disaster assistance, $1 billion in livestock disaster assistance, and direct economic assistance of $1.6 billion for traditional growers of grains, cotton, peanuts and oilseeds, $147 million for dairy farmers and $100 million for specialty crop (fruits, nuts and vegetables) and livestock growers.

Provisions similar to Title VIII were contained in the Senate-passed version of an FY2006 Iraq-Katrina supplemental bill (H.R. 4939) earlier this year. However, supplemental agricultural assistance was reduced to $500 million in the enacted version of the bill (P.L. 109-234), and was provided exclusively to Gulf state producers affected by the 2005 hurricanes. Many farm state Senators support the Title VIII assistance stating that regions other than the Gulf states were affected by natural disasters in 2005 and need supplemental assistance. The Administration threatened to veto H.R. 4939 if it contained any agricultural assistance beyond that provided for the hurricane states, stating that crop insurance and other ongoing USDA support programs adequately assist farmers affected by natural disasters and market conditions.

Table 7 summarizes the emergency provisions in the Senate-reported version of the FY2007 agriculture appropriations bill. For more information, see CRS Report RS21212, *Agricultural Disaster Assistance.*

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[4] Although the reconciliation act did not cut commodity subsidies in the way that the Administration proposed, it did (1) reduce the portion of certain subsidy payments paid in advance, (2) eliminated the upland cotton step-2 program, and (3) extended the Milk Income Loss Contract (MILC) program. For more on budget reconciliation, see CRS Report RS22086, *Agriculture and FY2006 Budget Reconciliation*, by Ralph M. Chite.

Table 7. Emergency Agricultural Disaster Assistance
(millions of dollars)

Disaster Assistance Provisions in Title VIII of Senate-reported version of H.R. 5384	CBO Estimate
Crop Disaster Payments: Any producer nationwide would be eligible to receive a payment equal to 50% of the market price for any 2005 crop losses in excess of 35% of normal crop yields. Losses to a 2006 crop caused by flooding in California, Hawaii and Vermont also would be eligible. Such sums as necessary would be provided to fund the payment formula. A separate $30 million disaster payment program is available for sugar beets (included in total estimate). No duplicate payments would be made, if already received for a hurricane loss.	1,046
Livestock Assistance: For livestock producers in a disaster-declared county: 1) a Livestock Compensation Program (LCP) would compensate them for the additional cost of having to procure livestock feed in the marketplace following a disaster, 2) a Livestock Indemnity Program (LIP) would reimburse them for livestock killed by a 2005 or 2006 (to date of enactment) disaster; and 3) a Ewe Lamb Replacement and Retention Program would share in the cost of replenishing flocks	LCP: 1,000 LIP: 20 Lambs: 13
Economic Loss Payments: To supplement farmer income, all recipients of direct payments under the farm commodity income support programs would receive a bonus payment equal to 30% of the direct payment already received for the 2005 crop year. Separately, up to $147 million in bonus payments would be provided to dairy farmers participating in the Milk Income Loss Contract (MILC) program, and $100 million would be provided to the states to compensate producers of fruits and vegetables and livestock (all included in total.)	1,828
Miscellaneous Provisions:	
Emergency Watershed Protection Program	54
Emergency Conservation Program	17
Funding for Additional USDA Personnel	13
Flooded North Dakota Crop and Grazing Land	6
Bovine Tuberculosis Herd Indemnification	2
Grand Total	**$3,999**

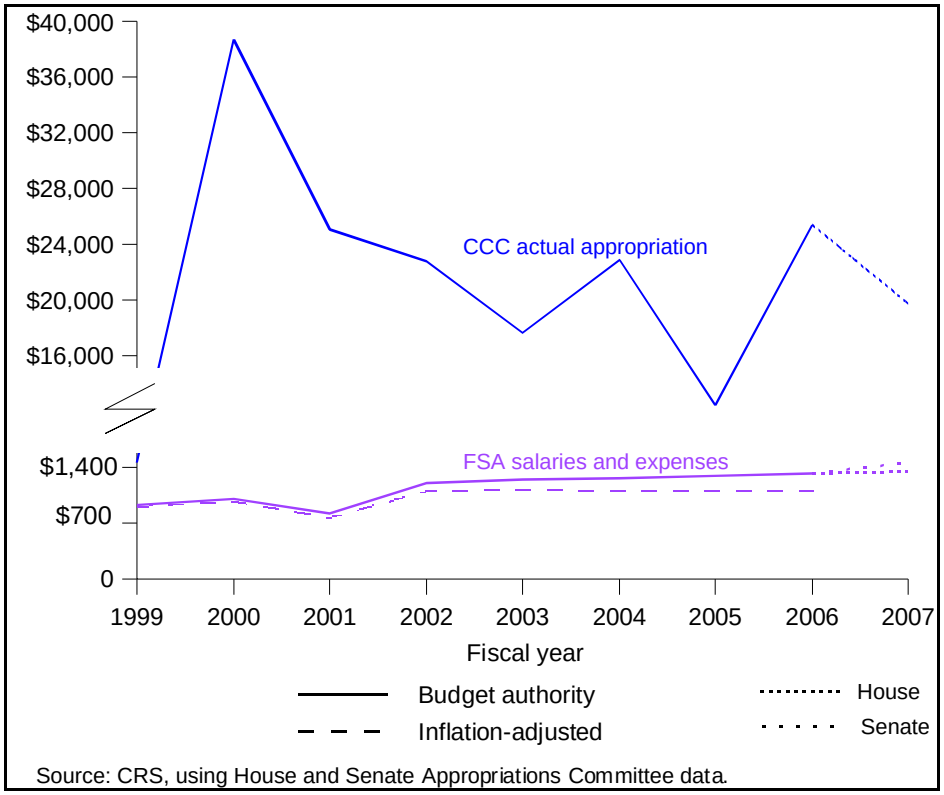
Source: Compiled by CRS.

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.

Figure 4. Commodity Credit Corporation and Farm Service Agency
(in millions of dollars)



Source: CRS, using House and Senate Appropriations Committee data.

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 FY2007, the Senate-reported bill would provide $1.471 billion for all FSA salaries and expenses, which is $107 million (+7.8%) more than the House-passed bill, $60 million (+4.3%) more than the Administration's request, and $144 million (+11%) more than FY2006 (**Figure 4**).

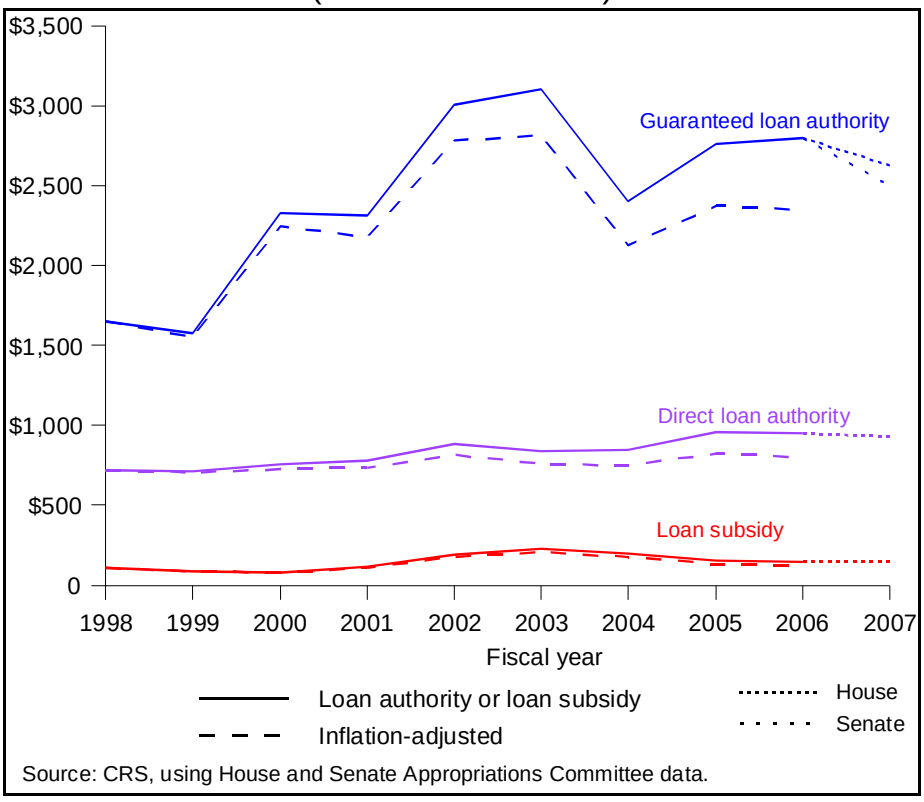
The House-passed bill continues statutory language inserted in the FY2006 appropriations law that restricts the ability of USDA to close any county office without public hearings and notification to Congress. An adopted House floor amendment would advance the deadline for USDA to hold public meetings in affected counties. The Senate-reported bill does not address county office closure.

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 loans are used to finance farm real estate, operating expenses, and recovery from natural disasters. Some 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 from farmer non-repayment of the loans. The amount of loans that can be made, the loan authority, is several times larger than the subsidy level.

For FY2007, the Senate-reported bill would provide $146.2 million to subsidize the cost of making an estimated $3.427 billion in direct and guaranteed FSA loans. This represents an 8.5% decrease in loan authority from FY2006, but is equal to the Administration's request and is 3.5% less than the House bill. Direct loan authority would fall by 2.2% and guaranteed loan authority would fall by about 11% (**Figure 5**). Over the past decade, Congress and the Administration generally have devoted more resources towards the guaranteed loan program. In terms of loan subsidy, the Senate bill is $3.1 million less than the House bill (-2%), but is $32 million more than the Administration's request due to views on user fees.

Figure 5. FSA Farm Loan Programs
(in millions of dollars)



In terms of loan authority, the Senate-reported bill is exactly the same as the Administration's request, and differs from the House bill only by reducing unsubsidized guaranteed operating loans by $124 million (-11%) below the House. The House bill would increase unsubsidized guaranteed operating loans by 1%.

Compared with FY2006, both the Senate and House bills would provide higher loan authority for direct farm ownership loans (+$17 million, or +8%), and the comparatively small Indian tribe land acquisition loan program (+$2 million, or +96%). A small increase (+$364,000, or +0.1%) is recommended for subsidized guaranteed operating loan authority. For boll weevil eradication loans, another direct loan program, the Senate and House bills concur with the Administration request for a 40% reduction in loan authority to reflect projected demand. In recent years, Congress maintained the boll weevil loan program at $100 million despite Administration requests to reduce the program.

Most of the nearly $200 million decline in overall loan authority from FY2006 in the House bill, and over half of the $320 million decline in the Senate bill, is for guaranteed farm ownership loans, down $186 million (-13%). USDA asserts that the reduction "is indicative of demand, which has recently shown a pattern of decline primarily attributable to changes in interest rates."[5]

Neither the Senate bill, nor the House bill, nor the Administration request provide any new funds or authority for emergency loans. In recent years, Congress has not appropriated any money for emergency loans, citing sufficient carryover of funds made available in previous supplementals.

The Senate bill includes language (sec. 753) to expand eligibility for farm loans to "commercial fisherman" by modifying the Consolidated Farm and Rural Development Ac t (CONACT).

User fees. Both the Senate and House bills reject the Administration's proposal to increase fees on guaranteed loans. The fees are paid by commercial lenders to receive the federal guarantee. The level of the fee is not stated in statute, but is set through regulations. Currently, the fee is 1% of the guaranteed portion of the loan.[6] The Administration proposed increasing the fee to 1.5%, and calculated that the increase would offset $30 million in appropriations. Both the Senate and House bills reject the fee increase with identical bill language. Thus, both bills provide more in loan subsidy for guaranteed loans than the Administration requested. This issue was discussed at a Senate Agriculture Committee hearing.[7]

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

Crop Insurance

The federal crop insurance program is administered by USDA's Risk Management Agency (RMA). It offers basically free catastrophic insurance to

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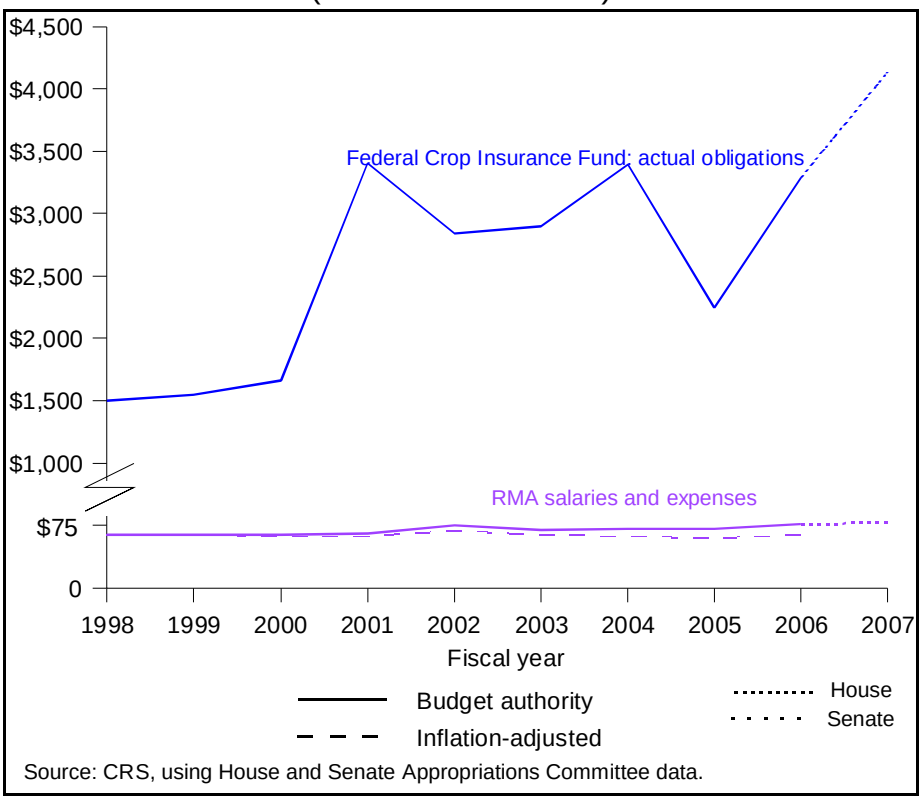
[5] USDA, *FY2007 Budget: Explanatory Notes for Committee on Appropriations*, p. 19-27.

[6] 7 CFR 762.130(d)(4)(ii). "Guarantee fees are 1 percent and are calculated as follows: Fee = loan amount x %guaranteed x 0.01." Regulations allow certain waivers for the fee.

[7] Senate Agriculture Committee, "Review USDA Farm Loan Programs," June 13, 2006 [http://agriculture.senate.gov/Hearings/hearings.cfm?hearingId=1940].

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.

Figure 6. Crop Insurance and Risk Management Agency
(in millions of dollars)



Source: CRS, using House and Senate Appropriations Committee data.

For RMA salaries and expenses, the Senate-reported bill provides $78.5 million , which is $1.28 million above the House-passed level of $77.2 million. Both bills are above the FY2006 enacted level of $76.3, but are below the Administration's FY2007 request for$80.8 million (**Figure 6**). Nearly one half of the Administration's requested increase would allow RMA to establish and conduct an audit of the expenses and performance of the participating private crop insurance companies and to bolster the agency's information technology capabilities. The balance of the increase would cover RMA pay increases and increase its staffing. The level in the House bill provides about 20% of the requested increase in funding, while the Senate bill provides nearly 50% of the requested increase. Both bills allow RMA to use up to $3.6 million of its appropriation for data mining activities to reduce waste, fraud, and abuse within the crop insurance program. From FY2001 through FY2005, RMA had the authority to tap mandatory funds for these activities. When the authority expired, appropriators included $3.6 million in the regular FY2006 RMA appropriations for these activities for the one year.

Separately, the Administration estimates an FY2007 appropriation of $4.131 billion for the Federal Crop Insurance Fund, although the amount actually required to cover program losses and other subsidies is subject to change based on actual crop losses and farmer participation rates in the program. Both the House-passed and Senate-reported bills concur with this estimate.

Premium Reduction Plan. A policy issue being debated in the context of the FY2007 appropriations bill involves whether crop insurance companies will be allowed to offer a premium reduction plan (PRP) for the 2008 insurance year which begins July 1, 2007. The PRP allows crop insurance companies that can demonstrate cost savings in their delivery of insurance to sell policies to their customers at a discount. For example, one participating company has reduced its costs by selling its policies directly to customers online. The FY2006 agriculture appropriations act (P.L. 109-97) prohibited RMA from using any of its funds to implement the PRP for the 2007 insurance year.

The House-passed version of the FY2007 agriculture appropriations bill would extend this prohibition for the 2008 insurance year. The Senate-reported bill does not address this issue. Independent insurance agents, which sell crop insurance on behalf of the crop insurance companies, are concerned that the PRP reduces their total commissions and damages their profitability. Insurance companies that do not qualify for the PRP are concerned that they will not be able to compete with companies offering discounts. Some farm groups contend that the PRP encourages insurance companies to cherry-pick the best customers which they say could leave some farmers uninsured.

Administration's Legislative Proposals. The Administration's budget request contains legislative proposals for crop insurance that it says would save $140 million annually, beginning in FY2008. These proposals were requested last year but were not considered by Congress. They include (1) a requirement that farmers purchase crop insurance as a prerequisite for receiving farm commodity payments; (2) a reduction in the portion of the premium that is paid by the government; (3) a requirement that producers pay up to 25% of the premium for catastrophic (CAT) coverage, instead of the current $100 administrative fee and no premium; and (4) a reduction in the reimbursement rate to private crop insurance companies. USDA contends that these proposals would encourage farmers to buy higher levels of coverage, and preclude the need for disaster payments. Neither the House-passed nor Senate-reported FY2007 agriculture appropriations bill address this proposal. Separate legislation would be required to enact any of these proposed changes, which might be discussed next year in the context of the 2007 farm bill.

For information on federal crop insurance and other farm disaster programs, see CRS Report RS21212, *Agricultural Disaster Assistance*, by Ralph M. Chite.

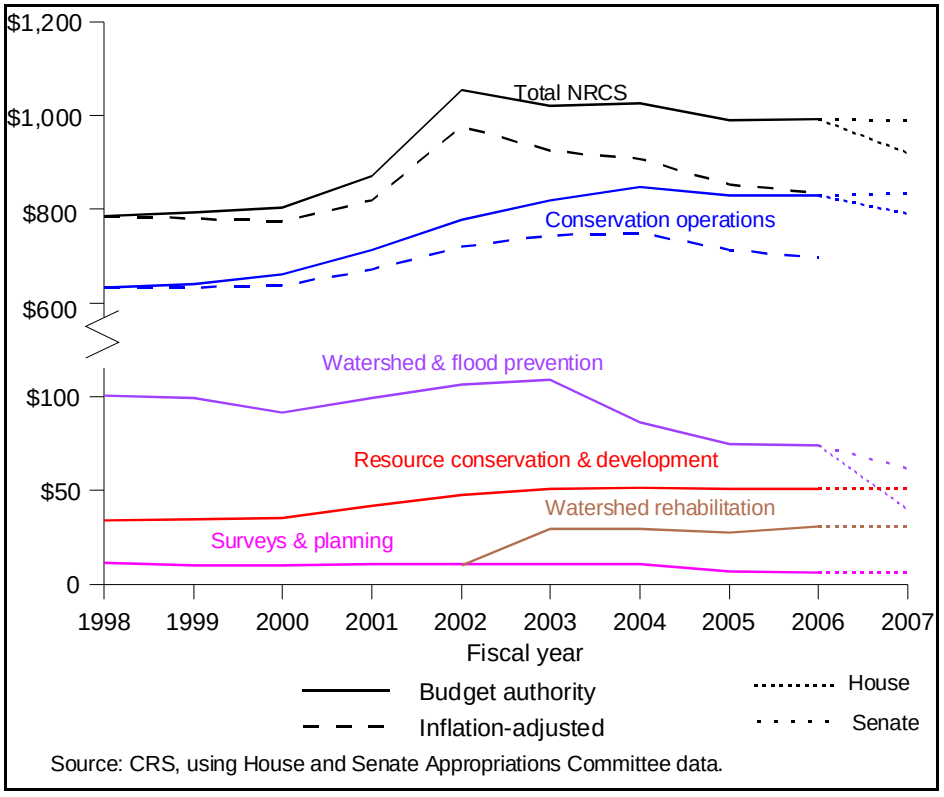
Conservation

The Senate-reported bill and the House-passed bill, H.R. 5384, both reject many of the Administration's proposed reductions for discretionary programs in FY2007 while agreeing with some of the proposed reductions for mandatory programs. The Senate bill would reduce discretionary NRCS funding by $3.0 million (from $993.4

million in FY2006 to $990.5 million in FY2007), while the House-passed bill would reduce discretionary NRCS funding by $73.8 million (to $919.6 million); see **Figure 7**. The Administration's proposal would have reduced funding $204.8 million to $788.6 million. (These figures do not include more than $900 million provided in supplemental appropriations in FY2006 for three emergency conservation programs in response to hurricanes; no additional funding was requested for these programs in the FY2007 budget request, but was provided for FY2006 in supplemental appropriations (P.L. 109-234).

Mandatory funding is authorized to rise $257 million to $4.09 billion in FY2007. **Table 8** shows that the Senate bill would reduce this amount by $371 million by making reductions to five programs. The House and the Administration request would both make larger total reductions and cut more programs; the House would cut eight programs a total of $482.8 million, while the Administration request would cut six programs a total of $435.0 million. The FY2007 appropriations process appears to continue a trend of recent years where Administrations have proposed more substantial reductions in conservation funding then Congress has been willing to support.

Figure 7. Discretionary Conservation Programs
(budget authority, in millions of dollars)



Discretionary Programs. All the discretionary conservation programs are administered by the Natural Resources Conservation Service. For Conservation Operations, the largest of these programs, the Senate provides $835.3 million, which is more than either the amount provided by the House ($791.5 million) or requested by the Administration ($744.9 million). It is also a small increase from the amount provided in FY2006, $831.1 million (**Figure 7**, **Table 12**). Both bills identify

numerous earmarks, and specify that they be funded in addition to, rather than a part of, state allocations. They both state that all earmarks from FY2006 that are not identified in the report accompanying the bill are not to be funded in FY2007.

For other discretionary programs, both the Senate and House bills provide level funding for the Watersheds Surveys and Planning account, $6.0 million, rejecting the Administration's request for no funding. They also reject the Administration request for no funding for Watershed and Flood Prevention Operations; the Senate bill provides $62.1 million, while the House bill provides $40.0 million. Both amounts are a reduction from the FY2006 appropriation of $74.3 million. Both bills provide the same level of funding as FY2006 for the Watershed Rehabilitation Program, $31.2 million, and reject the Administration request to reduce funding to $15.3 million. They both also provide level funding for the Resource Conservation and Development Program, $50.8 million, rejecting the Administration request to reduce funding to $26.0 million. The Senate bill provides $5.0 million to the Healthy Forests Reserve Program while the House bill provides no funding; the Administration had requested $2.5 million. The Administration had requested many of these reductions a year earlier in its FY2006 budget, but Congress had rejected them, providing essentially level funding for most of these programs.

Mandatory Programs. Mandatory programs administered by the Natural Resource Conservation Service (NRCS) are authorized to increase by $149 million to $2.0 billion in FY2007. One mandatory program is administered by FSA, the Conservation Reserve Program (CRP); it is estimated to increase by $108 million to $2.09 billion (not including the new emergency forestry program that will be administered as part of the CRP), and no reductions to CRP are called for in either in the Senate or House bills, or in the Administration request. As shown in **Table 8**, the Senate bills makes fewer and generally smaller reductions than the House bill, and the House bill agrees with more of the Administration's proposed reductions than the Senate bill. The largest difference is for the Wetlands Reserve Program, where the Senate bill concurs with the Administration proposal to enroll 250,000 acres, as authorized, while the House bill limits enrollment to 144,766 acres. Other large differences between the bills include the Environmental Quality Incentives Program (the House bill provides $96 million more than the Senate bill), and the Conservation Security Program (the Senate bill provides $92.8 million more than the House bill). **Table 8** compares authorized levels under the 2002 farm bill (as amended by the Deficit Reduction Act of 2005) with both bills and the Administration request.

Congress has enacted reductions in mandatory programs each year, although they are usually different than the Administration request. Each of the past four years, the portion of the authorized mandatory funding for conservation that Congress has allowed has declined from the preceding year. It fell to 87.2% of the total in FY2006. Different constituencies support each of the mandatory programs and decry reductions from the funding commitment that was established in the 2002 farm bill.

Table 8. Reductions in Mandatory Conservation Programs

(dollars in millions, unless noted otherwise)

Program	FY2006 Allowed Level	FY2007 Authorized Level under 2002 Farm Bill*	FY2007				
			Admin. Request	House Bill	Senate Bill	Difference From FY2007 Authorization	
						House	Senate
Environmental Quality Incentives Program	1,017	1,270	1,000	1,127	1,031	-143	-239
Conservation Security Program	259	373	342	280	373	-93	0
Wildlife Habitat Incentives Program	43	85	55	55	63	-30	-22
Wetlands Reserve Program	150,000 acres	250,000 acres	250,000 acres	144,776 acres	250,000 acres	-82	0
Farmland Protection Program	74	97	50	50	58	-47	-39
Ground and Surface Water	51	60	51	51	54	-9	-6
Small Watershed Rehab. Program	0	65	0	0	0	-65	-65
Ag. Management Assistance	5	20	0	6	20	-14	0
Total Reductions in NRCS Mandatory Conservation Programs (included in scorekeeping adjustments)						-483	-371

Source: CRS, using Senate Appropriations Committee and Congressional Budget Office data. See also CRS Report RS22243, *Mandatory Funding for Agriculture Conservation Programs*, by Jeffrey A. Zinn, for authorized funding and limits on mandatory conservation programs.

* Figures in the FY2007 authorized column represent how much are currently available, including reductions made by the Deficit Reduction Act of 2005 (P.L. 109-171).

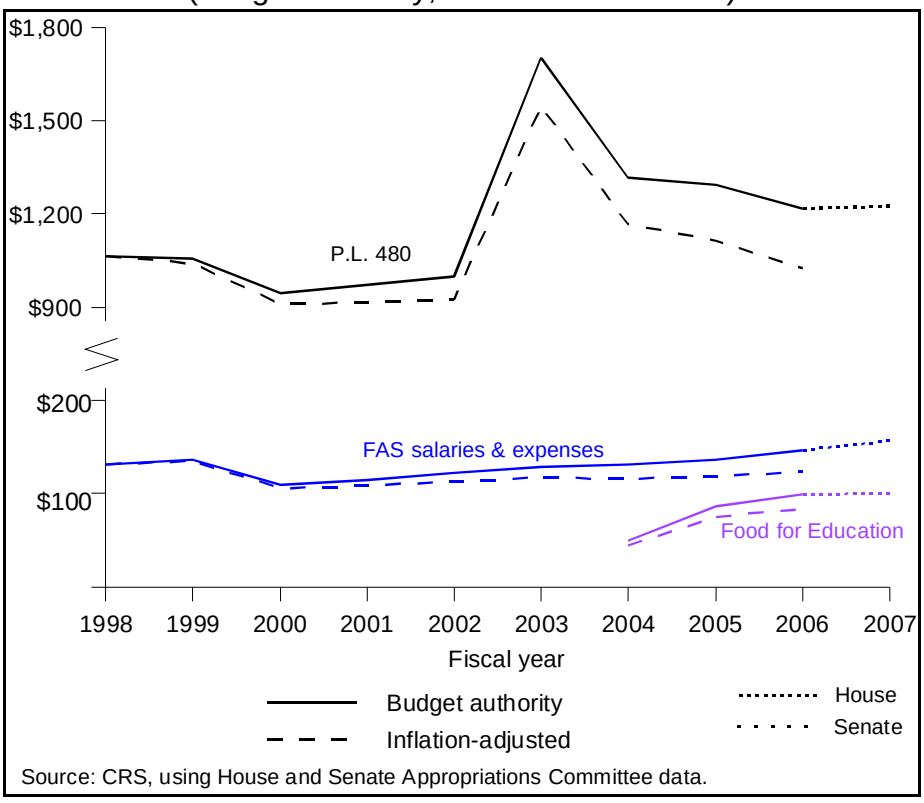
Agricultural Trade and Food Aid

USDA's international activities are funded by discretionary appropriations (e.g., foreign food assistance under P.L. 480) and by using the borrowing authority of the CCC (e.g., export credit guarantees, market development programs, and export subsidies). Discretionary appropriations for international activities are one-tenth of a percent apart in the Senate-reported and House-passed bills. The Senate-reported bill provides discretionary appropriations of $1.489 billion for international activities, while the House-passed bill provides discretionary appropriations of $1.488 billion. The Administration's budget indicates that an additional $3.8 billion would be allocated to CCC-funded programs. Combined, the total program value for all USDA international activities would be an estimated $5.3 billion for FY2007. Included in the Senate-reported bill is $156.2 million for the Foreign Agricultural Service (FAS) to administer USDA's international programs; the House allowance for FAS is $156.5 million (**Figure 8**). These amounts represent an increase of about

$10 million over the amount enacted in FY2006 and about $1 million less than proposed in the President's budget.

For P.L. 480 foreign food assistance, the Senate-reported version of H.R. 5384 provides $1.225 billion, $87 million more than enacted in FY2006. The House-passed bill provides $1.223 billion, while the Administration had requested $1.218 billion (**Figure 8**). All of the P.L. 480 appropriations would go for Title II commodity donations. Unlike the other international activities funded by agricultural appropriations, Title II is administered by the U.S. Agency for International Development (USAID), not USDA.

Figure 8. Foreign Agricultural Service, P.L. 480, and Food for Education
(budget authority, in millions of dollars)



Both the Senate-reported and the House-passed bill concur with the President's requests for no funds for P.L.480 Title I loans, nor any for the Bill Emerson Humanitarian Trust, a reserve of commodities and cash held by the CCC, which currently holds 900,000 metric tons of wheat and $107 million. The budget assumes $161 million of CCC funds for the Food for Progress (FFP) program which provides food aid to emerging democracies. In the absence of an appropriation for P.L. 480 Title I, no funds will be available to FFP from that source during FY2007. Similarly, USDA anticipates that no CCC commodity inventories would be available for distribution as food aid under Section 416(b). For the McGovern-Dole International Food for Education and Child Nutrition Program, both the Senate-reported and the House-passed bill provide $100 million, an increase of $1 million from both the FY2006 enacted amount and the budget request (**Figure 8**).

The President's budget request contained proposed appropriations language to allow the Administrator of USAID to use up to 25% of P.L. 480 Title II funds for local or regional purchases of commodities in food crises. The Senate report (S.Rept. 109-266) explicitly rejects this proposal, stating that "The Committee does not agree with the Administration's proposal to shift up to 25% of the Public Law 480 Title II program level to USAID to be used for direct cash purchases of commodities and other purposes..." In addition, the Senate report rejects an administration proposal to lift the requirement that 75% of P.L. 480 Title II commodities be devoted to nonemergency or development activities. Neither the House-passed bill nor the accompanying report (H.Rept. 109-463) make mention of these administration proposals. Congress rejected similar requests made in the FY2006 budget proposal.

CCC Export Credit Guarantee Programs secure commercial financing of U.S. agricultural exports. An estimated FY2007 program level of $3.2 billion reflects the level of sales expected to be registered under the program. Actual sales could vary from this estimate, depending upon demand for credit, market conditions, and other factors. Both the Senate-reported and the House bill provide $5.3 million for administrative expenses of CCC export credit programs, an increase of $104,000 above the amount provided in FY2006 and the amount requested in the budget proposal. The Senate-reported bill deletes statutory authority for the intermediate export credit guarantee program (guarantees up to 10 years). Earlier, the Administration had suspended the operation of the intermediate guarantee program in response to an adverse ruling by the World Trade Organization (WTO) in the U.S.-Brazil cotton dispute. The President's budget contained suggested legislative language for the statutory change.

The farm bill-authorized funding level for the Market Access Program (MAP), an export market development program, is set at $200 million for FY2007. Neither the Senate-reported nor the House-passed bills concurred with an Administration proposal to cut $100 million from MAP in FY2007. During floor consideration, the House rejected a perennial amendment to bar the use of funds to carry out MAP by a vote of 79-342.

The export program that mainly promotes bulk commodities, the Foreign Market Development Program, would receive $34.5 million, the farm bill authorized amount. For export subsidy programs, the budget requests $28 million for the Export Enhancement Program ($28 million in FY2006) and $35 million to the Dairy Export Incentive Program ($2 million in FY2006). The Administration requests $90 million for Trade Adjustment Assistance to Farmers, the maximum allowed in the 2002 Trade Act. The House bill stipulates that $3 million of these funds be made available for an intensive risk management technical assistance program for farmers.

For additional information on USDA's international activities, see CRS Report RL33553, *Agricultural Export and Food Aid Programs*, by Charles E. Hanrahan, updated regularly.

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 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) 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).

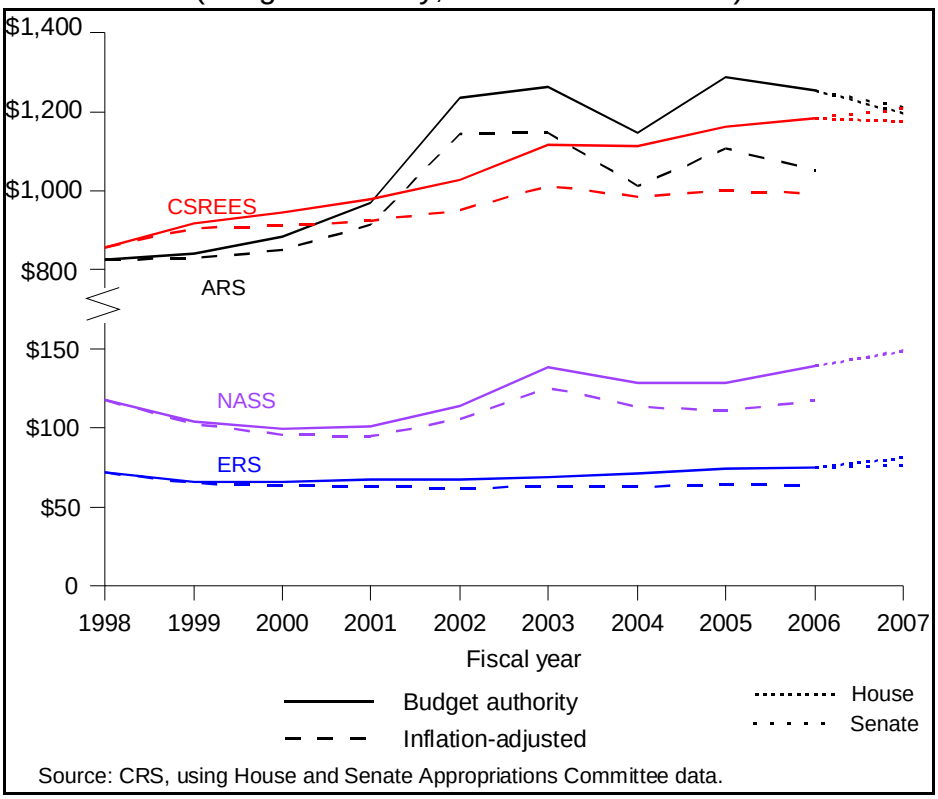
The USDA research, education, and extension budget, when adjusted for inflation, remained essentially flat in the period from FY1972 through FY1991. From FY1992 through FY2000, the mission area experienced a 25% increase (in deflated dollars) over the previous two decades, as a federal budget surplus allowed greater spending for all non-defense research and development. From FY2001 through FY2003, supplemental funds appropriated specifically for anti-terrorism activities, not basic programs, accounted for most of the increases in USDA research budget. Funding levels since have trended downward to historic levels.

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 down to 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. In FY1999 and every year since FY2002, however, annual agriculture appropriations acts have prohibited the use of those mandatory funds for the purposes the Agriculture Committees intended. On the other hand, in most years since FY1999, and again in FY2006, appropriations conferees have 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 are not viewed by some as 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 bill that the Senate Appropriations Committee reported out on June 22, 2006, would provide a total of $2.645 billion for USDA's research, extension, and economics mission area for FY2007. This is $45 million (+1.7%) more than the House-passed bill, and represents approximately nearly level funding compared with FY2006 (-0.2%) and a 17% increase over the President's budget.

Figure 9. Research, Extension, and Economics (ARS, CSREES, NASS, ERS)
(budget authority, in millions of dollars)



Agricultural Research Service. The Senate-reported bill provides a total of $1.21 billion for USDA's in-house science agency, the Agricultural Research Service (ARS has $1.25 billion in FY2006, **Figure 9**). Although the House-passed bill would provide the same total funding for ARS, the Senate-reported bill would allocate $1.13 billion of the total for research salaries and expenses ($1.06 billion in the House bill) and $83.4 million for building construction and renovation ($140 million in the House bill).

The Senate appropriations committee concurred with the Administration's request to terminate some projects in lower priority research areas and redirect the funds to higher priority projects in the areas of emerging diseases of crops and livestock, food safety, bioenergy, obesity and nutrition, and invasive species, among other topics. The House measure contains similar language. CRS's initial estimate, based on information provided in each Committee report, is that approximately $35 million (of the Administration's proposed $100 million) would be redirected.

The Senate-reported bill would provide $83.4 million in FY2007 for ARS buildings and facilities ($130 million in FY2006). The House-passed bill would provide $136.9 million, with almost $66 million of that amount going to support the completion of four high priority ARS research labs in California, Louisiana, New York, and Washington. The Senate Committee designates 20 ARS locations to receive construction funds.

Cooperative State Research, Education, and Extension Service. The Senate-reported bill provides a total of $1.21 billion for FY2007 for the Cooperative State Research, Education, and Extension Service (CSREES), the agency that sends federal funds to land grant Colleges of Agriculture ($1.18 billion in FY2006, **Figure 9**). The House-passed bill provides a total of $1.17 billion.

The Senate bill would allocate $678.1 million of the total to support agricultural research and teaching in the states ($651.5 million in the House bill).

As in previous years, the Senate and House appropriations committees concur in not adopting the Administration's proposal to increase the proportion of research funds awarded competitively by decreasing the amount allocated among the states according to a formula in the Hatch Act of 1887, as amended. Instead, the Senate bill would raise Hatch Act formula funds from $176.9 million, a level at which it has remained since 1999, to $185.8 million. The House-passed bill contains a similar provision raising Hatch Act funding to $183.3 million. The historically black land grant (1890) institutions would receive $39.1 million for research ($38.3 million in the House measure; $37.2 million in FY2006).

The Senate-reported bill does not concur with the Administration's annual request to cut the majority of funding for Special Research Grants and Federal Administration grants (earmarks): the bill would provide $119.3 million for Special Grants ($103.5 million in the House bill) and $41.3 million for Federal Administration grants ($39.5 million in the House bill).[8] In FY2006, Special Grants have $127 million, and Federal Administration Grants $50 million.

The Senate bill would provide $190.2 million for the National Research Initiative (NRI) competitive grants program, about a 5% increase over FY2006 ($181.2 million), but significantly less than the Administration's request for a 26% increase. The House bill contains $190 million for the NRI for FY2007.

The Senate-reported bill contains $467 million for the continuing education and outreach activities of the Extension System in the states ($451.4 million in FY2006; $457 million in the House bill). Within that amount, the Committee would allocate $286.6 million for the Smith-Lever formula funded programs ($273.2 million in FY2006; $281.4 million in the House bill). The Senate bill would increase Extension at the 1890s to $35.2 million ($33.5 million in FY2006; $34 million in the House bill). The Expanded Food and Nutrition Education Program (EFNEP) would receive $63.5 million ($62.6 million in the House bill; $62.0 million in FY2006).

In agreement with the House-passed bill, the Senate-reported bill does not reflect the Administration's proposal to move funding for the competitively awarded projects under Integrated Activities (joint research and Extension projects) to the Research and Education section portion of the CSREES budget. Instead, the committee provides $58.7 million for this category ($55.2 million in FY2006; $58.3 million in the House bill). The House bill increase reflects the adoption of a floor

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[8] A few line items within Special Grants and Federal Administration are not earmarked projects, but their amounts have not been subtracted from the Committee-reported totals.

amendment to increase the funding (to $5 million) for a program that assists producers who wish to adopt organic farming practices. The Senate bill increase reflects higher allocations for homeland security as well as for organic transition.

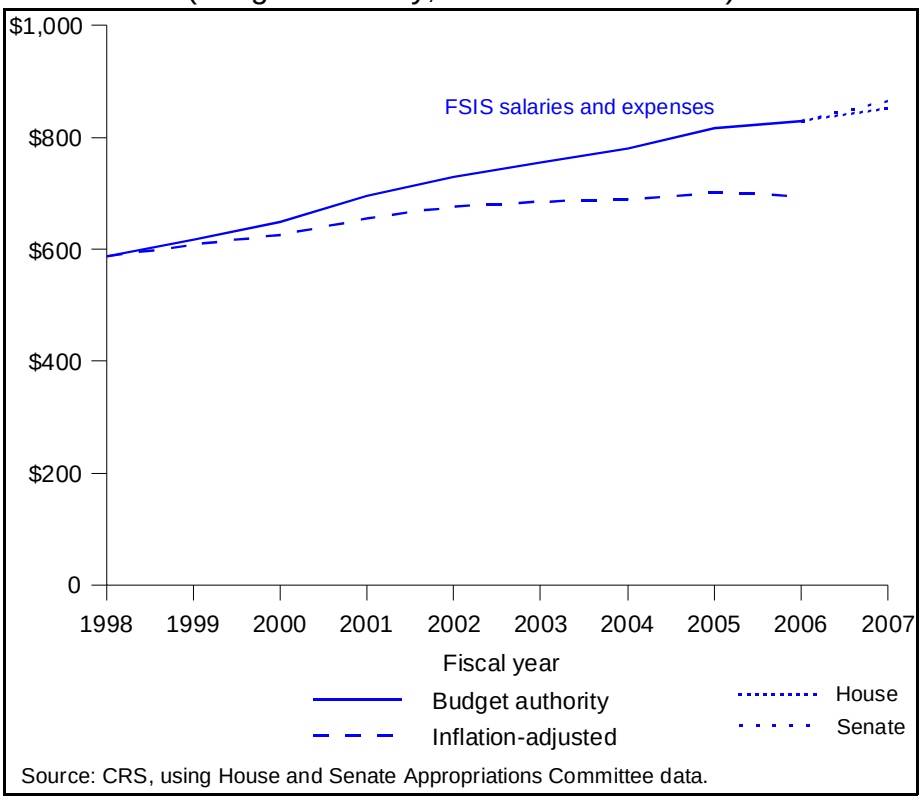
Economic Research and Agricultural Statistics. The Senate-reported bill would provide $76 million for USDA's Economic Research Service (ERS), up from $75.2 million in FY2006. The House bill contains $80.9 million (**Figure 9**). The House measure contains language designating $5 million of the total for an Agricultural and Rural Development Information System to support greater economic research on the well-being of farm and non-farm rural households.

For the National Agricultural Statistics Service (NASS), the Senate Committee bill includes $148.7 million ($148.2 million in the House bill, $139.3 million in FY2006). Committee report language encourages NASS to conduct a follow-up survey to collect data on all aspects of the organic industry.

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 Senate-reported bill provides $865.9 million for FSIS, or $36.5 million above FY2006 (**Figure 10**). The House-passed bill provides $853.2 million in appropriations for FSIS. The congressional appropriation would be supplemented in FY2007 by an estimated $124 million in existing user fees.

Figure 10. Food Safety and Inspection Service (FSIS)
(budget authority, in millions of dollars)



Source: CRS, using House and Senate Appropriations Committee data.

The President's FY2007 budget proposed a $987 million program level. However, this proposed total anticipated the collection of $105 million in new user fees to replace a portion of the appropriation, which neither the House nor Senate bill assumes. FSIS has been authorized since 1919 to charge user fees for holiday and overtime inspections. Presently, regularly scheduled second shifts are not considered overtime. The President's proposal would collect such 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 four years' budget requests, and previous administrations have proposed that more of (or the entire) inspection program be funded through user fees. Administration officials assert 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 not agreed with these proposals, responding that assuring the safety of the food supply is an appropriate function of taxpayer-funded federal government.

The accompanying Senate and House committee reports state that the appropriation includes the full increase requested, $16.6 million, to cover pay costs; a $2.6 million increase for risk-based *Salmonella* control; $2 million for microbiological baseline studies; $3 million to support international food safety work with *Codex Alimentarius*; and an increase of $1.9 million for information technology (IT) to support inspection (although in the House report there is an explicit cut of $4 million in other IT, as requested).

The Senate committee report designates approximately $16 million for food defense activities; the House figure is about $4 million. The House report specifies $5 million to continue enforcement of the Humane Methods of Slaughter Act; the Senate report recommends funding to maintain the 63 full-time positions for enforcing the act. Both versions recommend $3 million for maintenance of the Humane Animal Tracking System. The House report directs the transfer of $500,000 from FSIS to the Foreign Agricultural Service to support the Miami-based Food Safety Institute of the Americas.

The House bill also includes language (Sec. 747), added during subcommittee action by Representative DeLauro, to prohibit USDA funds for implementing a final rule to permit some processed poultry to be imported from China. The final FSIS rule, published in the April 24, 2006, *Federal Register* to take effect May 24, 2006, permits China to ship processed poultry if the meat comes from third country plants already eligible to export to the United States. Opponents of the rule contend that Chinese imports would be risky due to outbreaks of highly pathogenic avian flu among birds in that country. The Senate version lacks the DeLauro language.

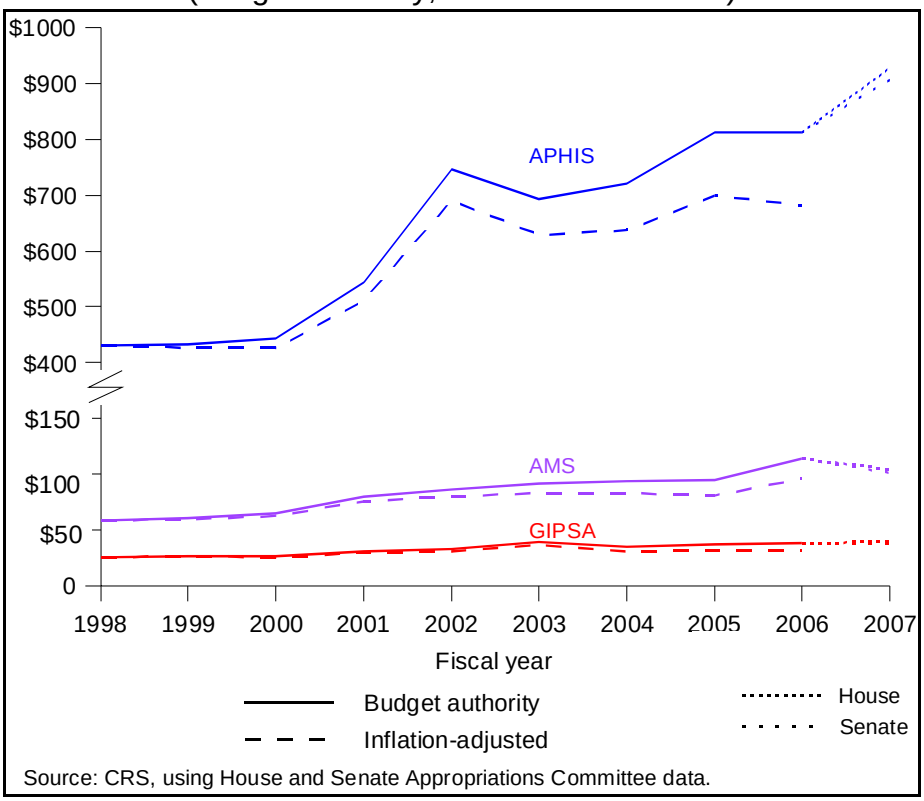
Marketing and Regulatory Programs

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. APHIS has key

responsibilities for such prominent concerns like avian influenza, bovine spongiform encephalopathy (BSE or "mad cow disease"), and establishment of a national animal identification (ID) program for animal disease tracking and control (see below).

The Senate-reported bill provides a $906.4 million appropriation for APHIS, compared with the President's FY2007 budget request of $952 million and a FY2006 level of $812 million. The House-passed measure provides a $927.6 million appropriation for APHIS (**Figure 11**). The budget estimates collection of an additional $139 million in existing user fees which fund various APHIS operations, bringing the agency's total program level for FY2007 to approximately $1.1 billion. The Administration has again proposed new user fees of $8 million, to pay for some of the agency's animal welfare activities. Neither the House nor Senate bill assumes these new fees. Similar Administration user fee proposals in FY2003, FY2004, FY2005, and FY2006, were not adopted by Congress.

Figure 11. Marketing and Regulatory Programs: APHIS, AMS, GIPSA
(budget authority, in millions of dollars)



Within the APHIS appropriation, the Senate committee report designates that $161.7 million be devoted to foreign pest and disease exclusion programs (compared with the Administration request for $181.6 million). The House committee report provides $164.1 million. Also within the total appropriation, the Senate committee report designates $273.6 million for plant and animal health monitoring and surveillance activities. The House version designates $263.6 million; the Administration requested $303.9 million. The Senate committee report further includes, within the APHIS total, $351.6 million for pest and disease management,

which is above the Administration's proposed $340.2 million allocation and slightly below the House's $352.7 million.

Funding for Emergency Programs. The Secretary of Agriculture has the authority to transfer funds from the CCC to APHIS to deal with animal and plant health emergencies. In recent years, the Office of Management and Budget (OMB) has expressed concern over the frequent use of such transfers, arguing that these activities should be funded through regular appropriations after the initial outbreak. However, congressional appropriations committees have consistently reiterated, including in the House report (H.Rept. 109-463, p. 73), that the Secretary should use the authority to transfer CCC funds, in addition to using the funds explicitly provided by Congress under, for example, APHIS's "emerging plant pests" account. The Senate report contains a similar admonishment (S.Rept. 109-266, p. 54).

The emerging plant pests (EPP) account within the pest and disease management spending area (see above), would be funded by the Senate committee at $107.4 million in FY2007, and by the House plan at $114.8 million compared with an Administration request of $126.9 million and a FY2006 level of $99.2 million. Both committee reports further specify how most of this money should be divided among plant problems of major concern: for citrus pests and diseases, $37.4 million in the Senate and $39 million in the House; for the Glassy-winged sharpshooter/Pierces' Disease, about $24.1 million in both the Senate and the House; for the Emerald Ash Borer, $16.3 million in the Senate and $20 million in the House; for Sudden Oak Death, $4.1 million in the Senate and $6.5 million in the House; for the Asian Long-horned Beetle, $16.9 million in the Senate and $19.9 million in the House; and for Karnal bunt, $2.8 million in the House (Senate report language emphasizes the importance of adequately compensating grain handlers for infected wheat).

During the House floor debate, Members adopted a Weiner amendment by a vote of 234-184 to provide more funding for emerging plant pests. Specifically, it would provide an additional $23 million; Representative Weiner noted that the funds were needed in particular for control of the Asian longhorned beetle. The increase would come through a cut of nearly $26 million from the Department's common computing environment account. (For more on animal and plant health emergencies, see CRS Report RL32504, *Funding Plant and Animal Health Emergencies: Transfers from the Commodity Credit Corporation*, by Jim Monke and Geoffrey S. Becker.)

Avian Influenza. The Senate-reported bill provides $70.4 million for avian flu activities in APHIS. Of this, $56.7 million is for the Administration's request for the newly established highly pathogenic avian influenza (HPAI) program. The Senate report expects the Secretary to transfer, if needed, additional funds from the separate low pathogenic avian influenza (LPAI) program to bring total HPAI funding to about $70.4 million.

The House-passed bill provides $63.9 million (total) for avian flu activities in APHIS. The House committee report designates $47.2 million for HPAI activities, including more than $17.5 million for domestic surveillance and diagnosis, $14.2 million for wildlife surveillance, $11 million for preparedness and communication,

and $4.6 million for international capacity building in countries most affected by HPAI. The House committee report notes that approximately $14 million is expected to be carried forward into FY2007, from a FY2006 supplemental.

For the LPAI program, the Senate committee report designates $13.7 million in FY2007. The House version designates $16.7 million, the same as requested by USDA, further specifying that $2.8 million should support surveillance through the National Poultry Improvement Plan and $5.3 million should be for surveillance in live bird markets. Both the Senate and House reports note that $12 million for AI indemnities was provided in FY2006 and remains available.

The HPAI monitoring and surveillance line item was begun with the pandemic flu supplemental enacted in December 2005; the LPAI program continues what the Congress and the Department ramped up with appropriations and CCC transfers in FY2004-05. The overall surveillance program includes both monitoring and surveillance for wild and migratory birds which can enter the country naturally via migratory routes, increased smuggling interdiction efforts which are done jointly by USDA and DHS at the border, monitoring and control of live bird markets in the United States, and outreach to small holders/backyard farms.

In FY2006, APHIS received $13.8 million for avian flu in regular appropriations, plus $71.5 million in emergency supplemental appropriations (which will remain available, if unspent, through FY2007). The emergency appropriations were part of the $3.8 billion pandemic flu supplemental in Division B of P.L. 109-148, which included $111 million for agencies in the agriculture appropriations bill: $91 million for USDA's avian flu program and $20 million for FDA's pandemic flu vaccine program. (For more on avian flu, see CRS Report RS21747, *Avian Influenza: Agricultural Issues*, by Jim Monke.)

BSE Testing and Trade. Both the Senate and House committee reports designate, within the APHIS appropriation, $17.2 million for BSE surveillance, to support 40,000 individual animal tests per year. The agency has been testing the brains of some 7,000 or more U.S. cattle weekly, in mainly higher-risk categories (e.g., nonambulatory, older, sick animals) to determine the prevalence of the disease in the U.S. herd. Over two years of surveillance, two out of approximately 750,000 head have tested positive for BSE. The Department is expected to adjust, and likely scale back, this intensive testing program after consulting a May 2006 peer review of its results. On the House floor, Representative Kucinich offered but later withdrew an amendment aimed at maintaining BSE testing at the enhanced level.

During its markup on May 9, 2006, the House Appropriations Committee defeated, on a voice vote, an amendment by Representative Tiahrt that would have barred USDA from enforcing its restriction on the private testing of cattle for BSE. Several private companies led by Creekstone Beef of Kansas have been seeking USDA's approval to test all animals if beef customers like Japan want it. USDA and other opponents of private testing argue that it has no scientific basis because BSE cannot be detected in younger cattle, among other problems.

Many Members of Congress have expressed their frustration over the delays in reopening both the Japanese and Korean markets, despite two and a half years of

effort. The Senate-reported bill contains a "sense of the Senate" amendment (Sec. 757) that the United States should impose retaliatory tariffs on Japanese imports if Japan does not permit U.S. beef imports by the date of enactment of the FY2007 appropriation. The provision is nonbinding, but stronger language could be offered by the time the full Senate considers H.R. 5384.

Animal ID. The most recent U.S. BSE case was reported in an older Alabama cow in early March 2006; it was destroyed and its meat did not enter the food or feed supply. Difficulties determining the animal's previous whereabouts have intensified interest in a comprehensive national program for identifying and tracking livestock for disease purposes.

The Department has devoted an estimated $85 million over three years to this effort and has requested another $33 million for FY2007. USDA does not anticipate that an animal identification (ID) system will be fully operational until early 2009, as it contends with widely divergent views among those in animal agriculture over such controversial issues as whether a program should be mandatory, who should pay its costs, and producer privacy concerns.

Both the Senate-reported and House-passed bills fulfill the Administration's budget request. However, the House version conditions use of the money on the Secretary first providing the House Appropriations Committee with a "complete and detailed plan" for the program, "including, but not limited to, proposed legislative changes, cost estimates, and means of program evaluation, and such plan is published as an Advanced Notice of Proposed Rulemaking in the *Federal Register* for comment by interested parties." The accompanying House report expresses concerns about the ID program's progress and transparency. The Senate report requests the Government Accountability Office (GAO) to review USDA's steps toward establishment of a program, and it also emphasizes that the Department should work with private industry on animal ID.

A House floor amendment by Representative Paul, to prohibit all funding for the animal ID program, was defeated by a vote of 34 to 389. Withdrawn, on a point of order, was a King amendment to create a mandatory but privately administered animal ID system. The amendment parallels his bill (H.R. 3170) to do the same. (See also CRS Report RL32012, *Animal Identification and Meat Traceability*, by Geoffrey S. Becker.)

Agricultural Marketing Service (AMS). AMS is responsible for promoting the marketing and distribution of U.S. agricultural products in domestic and international markets. User fees and reimbursements rather than appropriated funds account for nearly $2 of every $3 in spending by the agency. Such fees, which now cover AMS activities like process verification programs, commodity grading, and Perishable Agricultural Commodities Act licensing, will total an estimated $196 million in FY2006 and a projected $195 million in FY2007.

The Senate report anticipates that AMS will receive $101.4 million more in federal funds, either directly appropriated or transferred to AMS from the Section 32

account.[9] The House-passed level is $104.9 million. The Administration's FY2007 proposal recommended about $100 million, compared with an estimated $114 million in FY2006 (**Figure 11**). Neither the Senate nor House bill assumes the Administration's plan to reduce this total in FY2007 by the equivalent of $14 million in new user fees. These new fees would come from charging for the costs of the development of commodity grade standards for those requesting AMS grading services ($2 million), and for recovering the costs associated with AMS oversight of marketing orders ($12 million).

Most of the Senate's anticipated decrease of approximately $13 million in new budget authority (i.e., appropriated or transferred funds) apparently reflects a reduced level of spending in FY2007, from $20 million in FY2006, for the ongoing development of the agency's Web-based Supply Chain Management System which is replacing an older commodity inventory management system.

The Senate committee report recommends $15.3 million for the Pesticide Data Program and $2.9 million for the Pesticide Recordkeeping Program. It also reminds the Administration of a provision in the 2002 farm bill (P.L. 107-171) requiring that it purchase at least $200 million annually in additional Section 32 fruits and vegetables, over and above previous levels. The Senate-reported version again sets spending for the Federal-State Marketing Improvement Program at $3.8 million, including a designated $2.5 million marketing grant to Wisconsin. The House version deletes the $2.5 million.

The House committee report notes that it is not eliminating the $6 million Microbiological Data Program for domestic and imported produce, as proposed by the Administration. The House bill also continues the Farmers Market Promotion Program with funding of $1 million. Elsewhere within the AMS total, both the Senate and House versions endorse an Administration proposal to increase National Organic Program funding to more than $3 million in FY2007, from the current $2 million, to improve operations.

A provision in Title VII of the Senate-reported bill would provide $10 million in FY2007 for specialty crop block grants to states. The House-passed bill includes $15.6 million for the program, compared with $7 million in FY2006 and an Administration request of zero. These grants are authorized by the Specialty Crops Competitive Act of 2004 (P.L. 108-465), which seeks to promote the consumption and competitiveness of specialty crops (fruits, vegetables, tree nuts, and nursery crops). The act authorizes up to $54 million annually through FY2009.

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 is charged with ensuring

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[9] 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*, by Geoffrey S. Becker.

competition and fair-trading practices in livestock and meat markets. The Senate-reported bill would provide $38.7 million in FY2007 for GIPSA salaries and expenses. The House-passed bill would provide $39.7 million, which compares with the Administration's FY2007 request of nearly $42 million and the FY2006 estimate of $38.1 million (**Figure 11**).

The Administration proposes to reduce its $42 million requested appropriation by nearly $20 million, through the collection of two new user fees, for grain standardization and for Packers and Stockyards license fees. Neither the House nor Senate versions adopt this proposal which, like most other proposed USDA fees, would have to be approved by Congress. (GIPSA is expected to collect $42 million in already authorized user fees in FY2007, for its Inspection and Weighing Services.)

GIPSA's Packers and Stockyards branch has been working to improve its understanding and oversight of livestock markets, where increasing concentration and other changes in business relationships (such as more contractual relationships between producers and processors) have raised concerns among some producers about the impacts of these developments on farm-level prices and the structure of U.S. agriculture. GIPSA is now overseeing a contractor's study of livestock marketing practices, funded through a $4.5 million congressional appropriation in FY2003 (P.L. 108-7). The House committee report said it has been notified that a draft final report is to be completed in November 2006.

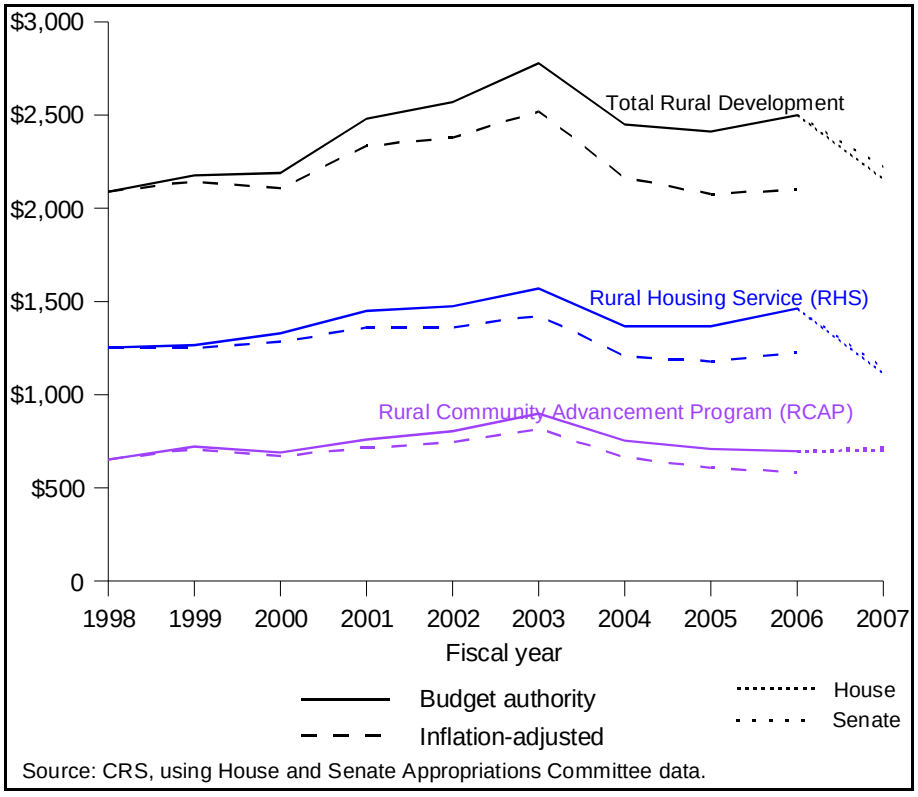
Earlier in 2006, GIPSA was sharply criticized by USDA's Office of Inspector General (OIG) and by a number of Senators for shortcomings in its enforcement of the Packers and Stockyards Act and other federal competition laws. The House committee stated in its report that it was "encouraged" by the Administration's recent efforts to correct these problems and expected an update when all OIG recommendations are implemented. (See also CRS Report RL33325, *Livestock Marketing and Competition Issues*, by Geoffrey S. Becker.)

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. This mission area administers the *rural* portion of the Empowerment Zones and Enterprise Communities Initiative, Rural Economic Area Partnerships, and the National Rural Development Partnership.

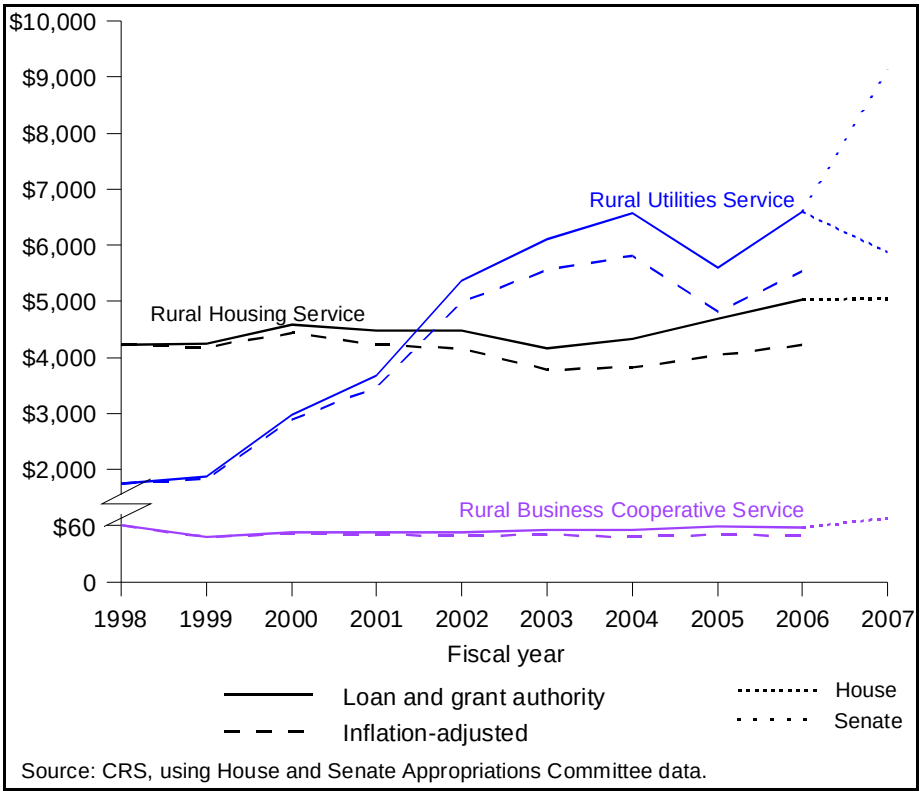
For FY2007, the Senate-reported bill recommends $2.223 billion in discretionary budget authority to support $14.247 billion in USDA rural development loan and grant programs. This is about $280 million less (-11%) in budget authority than FY2006 but $62 million more than (+2.9%) the House bill (**Figure 12**). The Senate bill would support $3.2 billion (+29%) more in rural development loan authority than the House bill (+27% over FY2006), focusing most of the increase in rural electric loans.

Figure 12. Rural Development Budget Authority
(in millions of dollars)



Source: CRS, using House and Senate Appropriations Committee data.

Figure 13. Rural Development Loan Authority
(in millions of dollars)



Source: CRS, using House and Senate Appropriations Committee data.

The Senate-reported bill, like the House measure, rejects the Administration's proposal for zero funding for Rural Business Enterprise Grants, Rural Business Opportunity Grants, and the Empowerment Zones/Enterprise Communities program. The Administration had requested no funding for these programs and had proposed moving these programs to a new rural program in the Department of Commerce.

For mandatory programs authorized by the 2002 farm bill, the Senate bill would block a total of $25 million in funding, compared with $22 million by the House bill. The Senate bill would block $10 million of the broadband program and limit the value-added grant program to not more than $28 million. The Administration had requested that these funds be cancelled along with $3.0 million from renewable energy. The Senate bill would block the renewable energy funds but also recommends $25 million in discretionary funding (**Table 9**) for the program.

Table 9. Reductions in Mandatory Rural Development Programs

(millions of dollars)

Program (§ in 2002 Farm Bill)	FY2006 Allowed Level	FY2007 Authorized Level under 2002 Farm Bill*	FY2007			Difference From FY2007 Authorization	
			Admin. Request	House Bill	Senate Bill	House	Senate
Rural Access to Broadband (§6103)	0	10	0	0	0	-10	-10
Biomass R&D (§9008)	12	14	12	14	14	0	0
Value-added Product Market Development Grants (§6401)	Mandatory						
	0	40	0	28	28	-12	-12
	*Discretionary***						
	*20.5**	*n/a*	*19.0*				
Renewable Energy Systems (§9006)	Mandatory						
	0	3	0	3	0	0	-3
	*Discretionary***						
	*23**	*n/a*	*10.2*	*20*	*25*		
Total Reductions in Mandatory Rural Development Programs (included in scorekeeping adjustments)						-22	-25

Source: CRS, using Senate Appropriations Committee and Congressional Budget Office data.

* Figures in the FY2007 authorized column represent how much are currently available, including reductions made by the Deficit Reduction Act of 2005 (P.L. 109-171).

** The bill provides discretionary funds, instead of mandatory funding as authorized.

Rural Community Advancement Program (RCAP). Authorized by the 1996 farm bill (P.L.104-127), RCAP consolidates funding for 12 rural development loan and grant programs into three funding streams. For FY2007, the Senate bill recommends $715 million for the three RCAP accounts, which is $20.0 million above FY2006 levels, $10 million more than the House measure, and $114.2 million

more than the Administration's request (**Figure 12**). The Senate bill recommends $101.7 million for the community facilities account ($81.7 enacted for FY2006), $525.0 million for the utilities account ($524.8 enacted for FY2006), and $88.2 million for the business development account (nearly the same as that for FY2006). The Senate measure reduces by over half water and waste water loan subsides ($80.0 million) and increases the grant program approximately 27% ($440.0 million) over the Administration's request. For FY2006, subsides and grants for water and waste water were $506.1 million. The House bill would also increase the grant portion of the program by 38% over the request and reduce the direct loan subsidies.

As was the case in FY2006, the Senate bill also recommends directed spending from the RCAP accounts (**Table 10**).

Table 10. Directed Spending in the Rural Community Advancement Program

(millions of dollars)

Program	FY2006 Enacted	FY2007		
		Admin. Request	House Bill	Senate Bill
Water/waste disposal loans/grants for Native Americans	25.0	9.0	24.0	26.0
Water/waste disposal loans/grants for *Colonias*	25.0	10.0	25.0	25.0
Economic Impact Initiative Grants	18.0	0*	0	21.0
Rural Community Development Initiative Grants	6.3	0	0	6.3
High Energy Costs Grants	26.0	0	0**	26.0
Water/waste disposal loans/grants to Alaska Native Communities	25.0	0	0	25.0
Water and waste water technical assistance	18.2	16.2	16.2	19.0
Circuit Rider Program	13.7	9.5	14.0	13.7
Rural Business Enterprise Grants	40.0	0*	40.0	39.6
Rural Business Opportunity Grants	3.0	0*	3.0	3.0
Business and Industry Guaranteed Loans (subsidies)	44.2	43.0	43.2	43.2
Empowerment Zones/Enterprise Communities, and REAP	21.4	14.7*	22.8	21.4
Delta Regional Authority	2.0	0	3.0	2.5

Source: CRS.

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

** The House bill recommends that any prior year balances be merged with the High Energy Costs Grant account with the Rural Utilities Service. The bill also recommends rescinding $25.3 million of the balances in the High Energy Cost account.

These authorized programs in the request include $26.0 million for water and waste water improvements for Native tribes and $25.0 for the *colonias.* The Senate measure, unlike the House bill, also recommends $25.0 million funding for Alaskan rural and native communities ($25.0 million in FY2006). The Senate bill also recommends funding for Rural Community Development Grants ($6.3 million enacted for FY2006), Economic Impact Initiative Grants ($18.0 million enacted for FY2006), and High Energy Cost Grants ($26.0 million enacted for FY2006). Rural Business Enterprise Grants and Rural Business Opportunity Grants would get $39.6 million and $3.0 million respectively under the Senate measure, nearly the same as enacted for FY2006 and recommended by the House bill. The Senate measure also recommends $21.4 million for the Empowerment Zones/Enterprise Communities program, the same as enacted for FY2006 and slightly less than the House measure.

Rural Housing Service (RHS). For FY2007, the Senate-reported bill recommends $1.144 billion in budget authority for RHS loans and grants (-22% from FY2006, **Figure 12**). Of this amount, $220.6 million in subsidies would support $5.029 billion in loan authorization, approximately $2 million more than in FY2006, **(Figure 13**). This is somewhat less than the level of loan authorization recommended by the House measure or requested, but it is about $24.0 million more in loan subsidy.

The Senate measure recommends $4.773 billion in loan authorization for direct and guaranteed loans under the single family housing (Section 502), the largest RHS loan program. This is $28.1 million less than recommended by the House measure or requested by the Administration, but is the same as enacted for FY2006. The recommended loan authority for housing repair loans (Section 504) is the same as enacted for FY2006 and about $1.7 million less than requested or recommended by the House measure. The Senate bill recommends $100.0 million for multi-family loan guarantees (Section 538) and $100.0 million for rental housing loans (Section 515), the same as recommended by the House bill and nearly constant with FY2006. The Administration proposes doubling the loan authority of Section 538 to $198 million and requests zero funding for Section 515 rental housing loans.

For the rental assistance program (Section 521), the Senate-reported bill recommends $335.4 million, the same as recommended by the House measure. This is a 48% reduction over FY2006 ($311.0 million) and $150.9 million less than requested. For mutual and self-help housing grants and rural housing assistance grants, the Senate bill recommends$33.6 million (the same as in FY2006) and $40.6 million (-7% from FY2006) respectively. For the farm labor account (Section 514/516), the Senate bill recommends $30.6 million. This is nearly the same as enacted for FY2006 and requested and approximately $17.0 million less than the House measure.

The Senate bill recommends $28.0 million for the multifamily housing revitalization program ($0 enacted for FY2006), the same as the House measure. The Administration is requesting $74.2 million. For the rural housing voucher program, both the Senate and House measures and the request are for zero funding ($15.8 enacted for FY2006).

Rural Business-Cooperative Service. The Senate-reported bill recommends $92.0 million in budget authority for FY2007 (+5% from FY2006), which, in addition to grants, supports a loan authorization level of $68.6 million in the Rural Development Loan Fund and the Rural Economic Development Loan Program. The Senate measure recommends the same level of loan authorization as the House and as the Administration requested (+17% from FY2006, **Figure 13**).

The Senate bill recommends $10.0 million for the rural Empowerment Zone/Enterprise Communities (EZ/EC) programs ($11.1 for FY2006) and $25.0 million for the Renewable Energy Program. The House measure recommends $20 million for the energy program and $11.1 million for the EZ/EC program. The Administration requested zero funding for the EZ/EC program and $10.2 million for the renewable energy program. The Senate measure also prohibits spending $3.0 million in available mandatory funds for the energy program.

The Senate bill recommends $29.5 million in Rural Cooperative Development Grants, almost the same as enacted for FY2006 ($29.2 million) and $2.6 million less than requested. The House measure recommends $9.9 million for the program.

Rural Utilities Service (RUS). For FY2007, the Senate-reported bill recommends budget authority of $94.7 million to support RUS's loan and grant programs. Of that amount, $43.9 million would support $8.649 billion in electric and telecommunication loans. This is $3.72 billion (+61%) more in loan authorization than the House bill, and $2.57 billion (+42%) more than enacted for FY2006. The Senate measure's recommendation for subsidies to support these loans, however, is only slightly higher than the House bill (+1.5%), and even slightly less than FY2006 (-1.7%). Loan authorization levels in the rural electrification portfolio are the major sources of difference between the request and the Senate measure.

For loans under the Distance Learning/Telemedicine program, the Senate measure recommends zero funding, the same as requested (-$24.7 million from FY2006) and the same as recommended by the House measure. For grants under the Distance Learning/Telemedicine grant program, the Senate measure recommends $30.0 million, nearly the same as enacted for FY2006. This amount is $5.3 million more than the request and that recommended by the House bill.

The Senate bill recommends $500.0 million for broadband loans, $143.6 million more than the request (+40%) and $19.0 million less than FY2006 (-4%). The recommended loan subsidy ($10.7 million), however, is nearly the same as requested ($10.8 million) and nearly constant with FY2006. The Senate measure also recommends $10.0 million for broadband grants, about $1.0 million more than enacted for FY2006. The Administration is requesting no funding for the broadband grant program for FY2007.

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

Domestic Food Assistance

Funding for domestic food assistance represents over one-half of the USDA's budget. These programs are, for the most part, *mandatory entitlements*. Spending for the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program), the Commodity Supplemental Food Program (the CSFP), and nutrition program administration are the three largest *discretionary* budget items.

For FY2006, P.L. 109-97 provided *appropriations* (new budget authority) totaling $58.9 billion in domestic food assistance.[10] However, FY2006 *spending* (new obligations) for these programs and activities — those under the auspices of the Food Stamp Act, child nutrition programs, the WIC program, commodity assistance programs like the CSFP, and nutrition program administration costs — is projected to be about 9% less at $53.7 billion.[11] The difference between the appropriation and spending amounts is accounted for by contingency appropriations (e.g., $3 billion for food stamps), lower costs than were anticipated when the appropriations were proposed/made, and expected carryovers into FY2007, offset by spending financed from money available from prior years and other USDA budget accounts (e.g., permanent appropriations, commodity purchases for school meal programs).

For FY2007, the Senate-reported bill would *appropriate* a total of $57.1 billion for domestic food assistance, about $100 million more than requested. This would finance *spending* totaling $54.3 billion (essentially the same overall figure as forecast by the Administration). On the other hand, the House-passed bill provides an appropriation of $56.8 billion, financing an overall spending level approximately the same as the Senate and as requested by the Administration.

The Administration proposed domestic food assistance appropriations totaling $57 billion for FY2007, a $1.9 billion decrease from FY2006. This level, together with money from other USDA accounts, would finance estimated spending of $54.3 billion, an overall increase of about $600 million when compared to FY2006. With the major exceptions of the CSFP (proposed for termination) and the WIC program, the appropriation request proposed "full funding" for domestic food assistance, based on the Administration's projections of likely participation and food costs. But its FY2007 budget estimates depend on (1) improved economic conditions (e.g., smaller food stamp caseloads), (2) the end of costs associated with the Gulf Coast hurricanes, and (3) enactment of some changes to program benefit and eligibility rules.

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[10] Not included in this annual appropriations figure 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 included as an explicit part of, the regular appropriations for domestic food assistance. They are expected to total to over $900 million a year in FY2006 and FY2007.

[11] Not included in this spending total are purchases and distributions of "bonus" commodities acquired for farm-support reasons, obligations made to replenish WIC contingency funds, and state spending on food stamp and other benefits. These are expected to total over $500 million a year in FY2006 and FY2007.

The FY2007 appropriations measures also include several changes to the terms under which domestic food aid programs operate and expand the program of free fresh fruit and vegetables in schools (see the section on *Special Program Initiatives*, below). However, they do not adopt most of the Administration's proposed changes in program rules.

Separate from the domestic food assistance appropriation (in Title IV of the bills) and changes in program rules and new funding for the fruit and vegetable program (in Title VII of the bills), the Senate-reported measure would provide approximately $100 million in grants to states to support specialty crops and livestock (in Title VIII). These block grants could be used for (among other purposes) supplementing state food bank programs or other nutrition assistance.

Programs under the Food Stamp Act. Appropriations under the Food Stamp Act fund (1) the regular Food Stamp program, (2) a Nutrition Assistance Block Grant for Puerto Rico (in lieu of food stamps), (3) the cost of commodities and administration/nutrition education through the Food Distribution Program on Indian Reservations (the FDPIR), (4) small nutrition assistance grant programs in American Samoa and the Commonwealth of the Northern Mariana Islands, (5) the cost of commodities (not distribution/administrative expenses covered under the Commodity Assistance Programs account) for The Emergency Food Assistance Program (TEFAP), and (6) the Community Food Project.

The bills reported in the Senate and adopted by the House would appropriate $37.865 billion for Food Stamp Act programs. This is slightly less than requested by the Administration — $69 million (-0.2%) less. They also reject most of the Administration's suggestions for rule changes in programs covered by the Food Stamp Act (see the section on *Special Program Initiatives* below), although the Administration's requested $3 billion contingency fund (in case spending estimates prove too low) is included. Estimated spending under the House and Senate bills would be essentially the same as that forecast under the Administration's request.

The Administration requested a FY2007 appropriation of $37.9 billion for Food Stamp Act programs, a $2.8 billion reduction from FY2006 (**Figure 14**). Anticipated spending for these programs (after accounting for contingency funding and program changes) would be just under $35 billion, the same as in FY2006.

Regular food stamp spending in FY2007 would be an estimated $33.2 billion, matching the FY2006 level. An improved economy and the absence of hurricane-related costs are reasons cited for no increase in spending. Puerto Rico's block grant is targeted for a $41 million increase to $1.6 billion (as mandated by law). Grants to American Samoa and the Northern Marianas are effectively unchanged at $14 million in total. And the FY2007 budgeted amounts for TEFAP commodities and the Community Food Project are the same as for FY2006 — $140 million and $5 million, respectively.[12]

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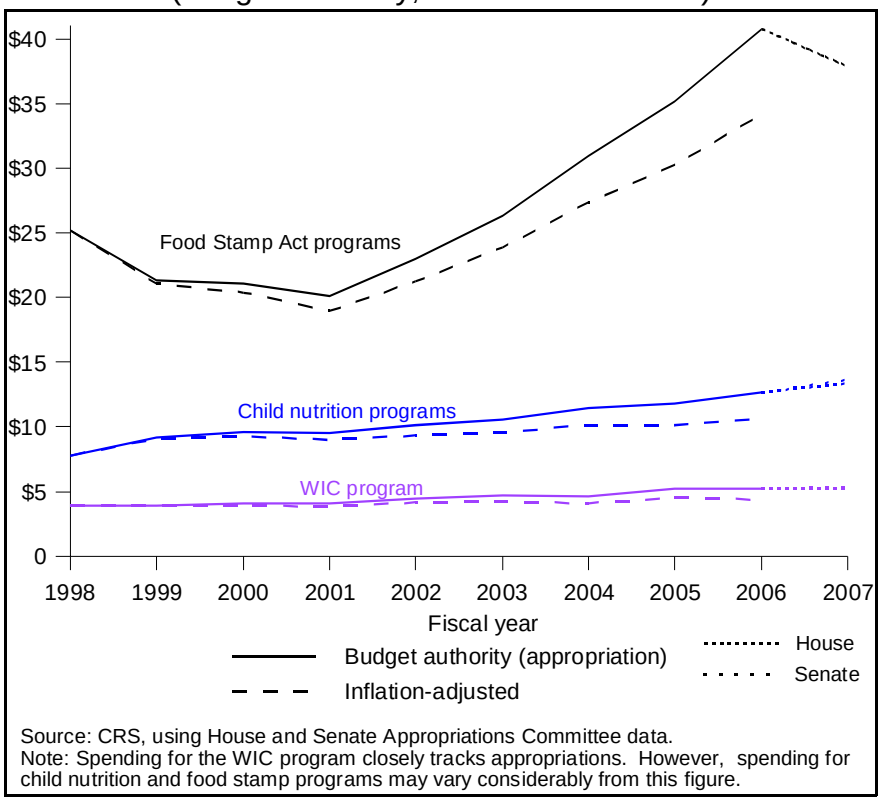
[12] An additional $50 million would be provided for TEFAP distribution/administrative costs under the Commodity Assistance Programs budget account.

On the other hand, the Administration proposed (and the House and Senate bills adopt) a small reduction in funding for the FDPIR. A net decrease of $2 million (to $77.5 million) would result from ending a specific funding for a bison meat purchase project ($3 million in FY2006) while adding funding of $1 million for nutrition education efforts.

Note: While there is a substantial ($2.8 billion) drop in Food Stamp Act *appropriations* from FY2006 to FY2007 in the House and Senate bills, and the Administration's request, *spending* is not expected to go down, and a $3 billion contingency fund would be on hand to cover unexpected increases in participation. FY2006 appropriations for Food Stamp Act programs were higher ($40.7 billion) than proposed for FY2007; however, some $5 billion is expected to go unused.

Figure 14. Domestic Food Programs
(budget authority, in billions of dollars)



Source: CRS, using House and Senate Appropriations Committee data.
Note: Spending for the WIC program closely tracks appropriations. However, spending for child nutrition and food stamp programs may vary considerably from this figure.

Child Nutrition Programs. The bill reported in the Senate would appropriate $13.654 billion for child nutrition programs, as compared to the House's $13.345 billion and the Administration's request for $13.645 billion. The Senate bill includes the Administration's request for a $300 million contingency fund and adds a small amount of money for expansion of the program for free fresh fruit and vegetables in schools (see the section on "Special Program Initiatives," below). The House-passed bill does not provide any contingency funding, but, in a separate part of the bill, includes an initiative to expand the free fresh fruits and vegetables program.

The Administration requested an FY2007 appropriation of $13.645 billion for child nutrition programs, up from $12.7 billion in FY2006 (**Figure 14**). These

programs/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, some food commodities bought for schools and other child nutrition providers, assistance to states for their child-nutrition-related administrative costs, and nutrition education and other special projects (e.g., "Team Nutrition," food safety, and program integrity initiatives).

Similarly, overall spending for child nutrition efforts under the Administration's request (and the House and Senate bills) — drawing on all available resources — would be an estimated $13.8 billion compared to $13.1 billion in FY2006 (see CRS Report RL33307, *Child Nutrition and WIC Programs: Background and Funding*, by Joe Richardson).

The WIC Program. The bill reported in the Senate provides $5.264 billion for the WIC program, $20 million more than the $5.244 billion recommended by the House, $64 million more than requested, and $60 million over the FY2006 appropriation of $5.204 billion. Differences among the Senate, House, and Administration appropriation figures reflect changed estimates of program participation and food costs since the budget was submitted and the fact that the House and Senate bills reject the rule changes affecting the WIC program proposed by the Administration. FY2007 WIC spending under the House and Senate bills is anticipated at about $5.35 billion, up from $5.2 billion in FY2006, when the availability of unused money from FY2006 and a projected carryover into FY2008 are factored in.

The Administration's $5.2 billion FY2007 request was nearly the same as the FY2006 appropriation (**Figure 14**). Spending (at just over $5.2 billion) also was projected to be the same as FY2006, but $200 million over FY2005. However, the requested FY2007 amount was predicated on changes in WIC rules not adopted in the House and Senate (see the section on "Special Program Initiatives," below).

Commodity Assistance Programs. The commodity assistance budget account covers four program areas: (1) the Commodity Supplemental Food Program (the CSFP), (2) funding for TEFAP distribution/administrative costs (in addition to the cost of commodities provided through money under the Food Stamp account), (3) two farmers' market programs for WIC participants and seniors,[13] and (4) expenses for food donation programs for disaster assistance, aid to certain Pacific islands affected by nuclear testing, and a few commodities supplied to Older Americans Act grantees operating the Nutrition Services Incentive program for the elderly.

The bill reported in the Senate would appropriate $179 million for commodity assistance programs, and, like the House measure, rejects the Administration's request to terminate the CSFP. The House bill provides $189 million for commodity assistance programs and differs from the Senate proposal in that it funds the CSFP

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[13] While the farmers' market program for seniors is in the commodity assistance account, its funding amount is a permanent appropriation not included in the annual Agriculture Department appropriation.

at $118 million (an increase over FY2006 and $10 million more than provided in the Senate). Both measures include small amounts of added funding (totaling to $1 million) for administration of TEFAP, the WIC farmers' market program, and assistance for Pacific Islands.

The Administration requested an appropriation of $70 million for this account, substantially less than the $188 million available for FY2006, because it proposed terminating the CSFP. Other than ending the CSFP, the Administration proposed no other significant funding changes for commodity assistance.

Nutrition Program Administration. This account provides money for federal administrative expenses related to domestic food assistance programs and special projects. The Senate-reported measure includes $143 million for nutrition program administration, $17 million less than requested and $1 million more than agreed to in the House. The Senate and House figures effectively reject funding most of the Administration's proposals for new nutrition education and program integrity initiatives, and a separate portion of the each bill provides $2.5 million for the Congressional Hunger Center.

The Administration requested $160 million for FY2007, up from $141 million in FY2006, because of new initiatives for nutrition education and program integrity. However, the Administration did not request funding for the Congressional Hunger Center ($2.5 million was appropriated for FY2006 and earlier years).

Special Program Initiatives. The bill reported in the Senate and the measure adopted by the House also include a number of special provisions relating to the rules and operations of domestic food assistance programs and expand one program (free fresh fruit and vegetables in schools). In most cases, proposals for change advanced by the Administration were not adopted in either the Senate or House bills.

In the case of programs under the ***Food Stamp Act***, the House and Senate bills (1) continue a rule (in place since FY2005) ignoring special military pay for families of those deployed in combat zones when determining food stamp eligibility and benefits, (2) terminate a special bison meat purchase program for the FDPIR ($3 million in FY2006), and (3) permit up to $10 million in commodity funding for TEFAP to be used for TEFAP *distribution* costs. These provisions were part of the Administration's budget request for FY2007. In addition, the House bill, through a floor amendment, stipulates that existing legal requirements on sponsors of legal aliens who receive food stamps should be followed (e.g., sponsors should be held liable for the cost of food stamp benefits).

The Administration's FY2007 budget proposal for Food Stamp Act programs included several additional provisions that were rejected: (1) providing special short-term assistance to those losing CSFP support under a separate initiative (the proposed termination of the CSFP was rejected by the House and Senate), (2) excluding *all* retirement savings from food stamp financial eligibility tests, (3) disqualifying households with relatively high income/assets who might otherwise be eligible for food stamps because they receive other public assistance, and (4) allowing states to access the National Directory of New Hires when verifying food stamp eligibility.

The Senate-reported bill includes only one significant provision related to ***WIC*** rules/operations — as suggested by the Administration (and stipulated in the FY2006 appropriations law), it adopts a specific rule barring approval of new retailers whose major source of revenue is sales of WIC food items (so-called "WIC-only" stores). The House bill includes no provisions changing WIC rules/operations. In addition to the WIC-only store provision noted above, the Administration called for a cap on the proportion of grants that can be spent on nutrition services and administration (leading to a state match requirement after FY2007) and an income limit on those who can get WIC services automatically because of their participation in Medicaid.[14]

For programs under the ***child nutrition, commodity assistance, and nutrition program administration accounts***, the House and Senate bills adopt one proposal advanced by the Administration — barring the use of Senior Farmers' Market Nutrition program funds to pay sales taxes, coupled with disregarding the value of the program's benefits as financial resources for tax and public assistance purposes. But, as noted earlier, they continue funding for the CSFP and the Congressional Hunger Center. In a separate part of its bill, the Senate-reported measure also adds one state (Minnesota) to the list of states in which simplified Summer Food Service program rules (so-called "Lugar" rules) apply; under these rules, summer program sponsors do not have to document all costs in order to receive maximum federal subsidies.

In addition, the Senate and House bills reject the Administration's proposal to provide no new funds to continue a five-state extension of the free ***fresh fruit and vegetable program in schools*** and, instead, provide more funding for the program. The Senate measure appropriates $9 million (in addition to the existing $9-million-a-year mandatory appropriation for this program); this $18 million total is intended to support the existing program (operating through selected schools in the 14 states and on 3 Indian reservations in FY2006), plus 3 states named in the Senate committee's report (Arkansas, California, and Georgia). In FY2006, $15 million was available for this program ($9 million in mandatory funding and $6 million in discretionary money included in the FY2006 appropriation). On the other hand, the House bill provides a total of $25 million for the free fresh fruit and vegetable program. This is intended to allow expansion of the existing (FY2006) program to selected schools in all states (albeit at a per-state payment amount lower than received by states currently allowed to participate). The $25 million total appropriation in the House bill represents a substantial increase over the $15 million available in FY2006, but the House proposal also makes all of the funding for this program discretionary.

Finally, the Senate-reported measure effectively removes a relatively long-standing general bar against using funds from the food stamp, child nutrition, and WIC budget accounts for ***studies, evaluations, and other research***.

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[14] **Note:** It appears that limits on approval of WIC retailers under current law and recent regulatory and court interpretations may provide essentially the same restrictions on new WIC-only stores as would the Administration's proposal and the provision recommended in the Senate.

Food and Drug Administration (FDA)

The Food and Drug Administration (FDA) regulates the safety of foods, and the safety and effectiveness of drugs, biologics (e.g., vaccines), and medical devices. Now part of the Department of Health and Human Services (HHS), FDA was originally housed in the Department of Agriculture, and the congressional appropriation subcommittees on Agriculture and Rural Development still have jurisdiction over the FDA budget.

FDA's budget has two components: direct appropriations and user fees. For FY2007, the Senate-reported bill (H.R. 5384) would provide a direct appropriation of $1.57 billion to FDA, $27.3 million more than the House-passed bill, $25.4 million more than the President's request, and $96 million more than the FY2006 enacted appropriation (**Figure 15**).

For the entire FDA budget (direct appropriations and user fees), the Senate-reported bill would provide FDA $1.947 billion, compared with $1.919 billion in the House-passed bill, $1.921 billion in the President's request, and $1.832 billion in the FY2006 appropriation.

The President, the House committee, and the Senate committee account for various user fees differently, resulting in a different calculation of the President's request. The President's budget justification includes three sets of fees: (1) those from existing programs under the Prescription Drug User Fee Act, the Medical Device User Fee and Modernization Act, and the Animal Drug User Fee Act ($375.9 million); (2) ongoing collections from mammography clinics and for export and import certifications ($26.0 million); and (3) proposed reinspection and food and animal feed export certification fees ($25.5 million). The $401.9 million of fees in the President's request includes the first and second. The House Committee, however, includes only the first in its numerical calculation; it mentions the second in text. The result is a $26 million difference in the user fee part of the budget and therefore in the total program level. The Senate Committee also includes only the first in its totals but does note the second and third.

A separate issue: the $25.5 million in proposed new fees that would require legislative action. None of the three includes these fees in the appropriations totals.

The President's request outlines programs — distributed across most FDA Centers and field units — related to:

- pandemic preparedness ($30.5 million increase); the House-passed and Senate-reported bills would annualize the FY2006 $20 million supplemental; for new activities, the House would provide another $8.1 million and the Senate would give another $30.5 million;
- food defense ($19.8 million increase); the House-passed bill would include $4.9 million and the Senate-reported bill recommends $5.5 million;

- critical path to personalized medicine ($5.9 million increase); the House-passed bill would include a $4.9 million increase; and the Senate-reported bill would include the $5.9 million requested;
- drug safety ($4 million increase); the House-passed bill would include the requested $4 million plus $1 million relating to anti-counterfeiting technologies; and the Senate-reported bill would include $4 million; and
- human tissues ($2.5 million increase), also in the House-passed and Senate-reported bills.

The President's request also highlights triggers needed for the user fees authorized by the device and animal drug user fee acts; the House-passed bill would provide $8.2 million for this. The President's budget request included $20.2 million for cost of living pay increases, for which the House-passed bill would provide $15.6 million and the Senate-reported bill would give $20.3 million.

The House-passed bill would increase the President's request for generic drug review by $5 million and the Senate-reported bill would add another $5 million so that the Office of Generic Drugs would receive $10 million more than the President requested. Both the House-passed and Senate-reported bills would provide $14.3 million for consolidation at the White Oak campus and rental payments to GSA.

To achieve the program goals in its proposed budget, the President used "FDA re-deployed resources from base programs." The reductions — affecting each Center and program area — total $52.3 million. The House committee recommended that CFSAN funds not be redirected. The Senate-reported bill would restore $29.7 million — specifically to CFSAN and NCTR — of the $52.3 million.

The Senate-reported bill expanded an amendment in the House-passed bill regarding financial conflicts of interest of FDA advisory committee and panel members. Adding to the House's prohibiting FDA from waiving specific financial conflicts of interest restrictions of individuals serving as voting members of FDA advisory committees and panels; the Senate-reported bill would allow such an individual to serve if the HHS Secretary were to disclose, on the FDA website at least 15 days before the relevant meeting, the nature of the conflict, and the nature and basis of the waiver or any recusal due to the potential for conflict of interest. The Senate-reported bill also would require that the FDA commissioner submit a semiannual report to Senate and House appropriations and authorizing committees and the HHS inspector general that describes, in detail outlined in the amendment, efforts that FDA took to find individuals without potential conflicts or interest.

Not included in the Senate-reported bill is a House-passed amendment that would prohibit FDA from using funds to prevent individuals, pharmacists, or wholesalers from importing prescription drugs that comply with core requirements of the Federal Food, Drug, and Cosmetic Act. Thus, this year's conference committee may face the annual struggle over drug importation: the FY2005 conference report had prohibited FDA from using funds to enforce the current statute that bans importation of prescription drugs by parties other than drug companies, and the FY2006 appropriations conferees did not adopt a House amendment that would have allowed prescription drug importation, thus averting a possible veto.

Table 11 displays, by program area,[15] the budget authority (direct appropriations), user fees, and total program levels in the enacted FY2006 appropriation, the President's FY2007 request, the House-passed bill, and the Senate-reported bill.

Table 11. FDA Appropriations and User Fees, by Program Area[a]

(millions of dollars)

Program Area	Funds	FY2006 Enacted[b]	FY2007 Request	FY2007 House-passed	FY2007 Senate-reported
Foods	BA:	438.7	449.7		457.9
	Fees:	—	—		—
	Total:	438.7	449.7	454.0	457.9
Human drugs	BA:	297.7	305.0		315.0
	Fees:	219.8	230.0		230.0
	Total:	517.6	535.0	545.9	545.0
Biologics	BA:	139.0	150.6		150.6
	Fees:	56.5	59.4		59.4
	Total:	195.5	210.0	194.6	210.0
Animal drugs and feeds	BA:	89.6	95.5		95.5
	Fees:	9.3	9.5		9.5
	Total:	98.9	105.0	105.6	105.0
Devices	BA:	220.6	229.3		230.5
	Fees:	40.0	42.2		25.0
	Total:	260.5	271.6	253.8	255.5
Toxicological Research (NCTR)	BA:	40.7	34.2		41.3
	Fees:	—	—		—
	Total:	40.7	34.2	34.1	41.3
Other activities	BA:	86.9	88.2		87.1
	Fees:	30.4	32.1		31.8
	Total:	117.4	120.3	118.3	118.9
GSA rent	BA:	116.4	126.9		126.9
	Fees:	17.3	19.2		19.1
	Total:	133.7	146.0	146.0	146.0
Other rent and rent-related (including White Oak consolidation)	BA:	57.2	61.0		61.0
	Fees:	0.8	1.1		1.0
	Total:	57.9	62.0	62.0	62.0

[15] Over the years, Center names change as administrations reconfigure duties and management responsibilities. The appropriation program lines, however, have remained constant and represent activities carried out by administrative units and by staff in the FDA-wide units such as the Office of Regulatory Affairs. For the last few years, the food program has been housed in the Center for Food Safety and Applied Nutrition (CFSAN); the human drugs program in the Center for Drug Evaluation and Research (CDER); the biologics program in the Center for Biologics Evaluation and Research (CBER); the animal drugs and feed program in the Center for Veterinary Medicine (CVM); and the devices program in the Center for Devices and Radiological Health (CDRH). The National Center for Toxicological Research (NCTR) is also a separate program line.

Program Area	Funds	FY2006 Enacted[b]	FY2007 Request	FY2007 House-passed	FY2007 Senate-reported
Certification funds	BA:	—	—	—	—
	Fees:	7.6	8.5	—	—
	Total:	7.6	8.5	—	—
Salaries & Expenses Subtotal	BA:	1,486.8	1,540.4	1,538.5	1,565.7
	Fees:	381.7	401.9	375.9	375.9
	Total:	1,868.5	1,942.3	1,914.4	1,941.6
Buildings & Facilities Subtotal	BA:	7.9	5.0	5.0	5.0
	Fees:	—	—	—	—
	Total:	7.9	5.0	5.0	5.0
FDA Total	**BA:**	**1,494.7**	**1545.3**	**1,543.4**	**1,570.7**
	Fees:	381.8[c]	401.9[cd]	375.9	375.9
	Total:	**1,876.5**	**1,947.3**	**1,919.3**	**1,946.6**

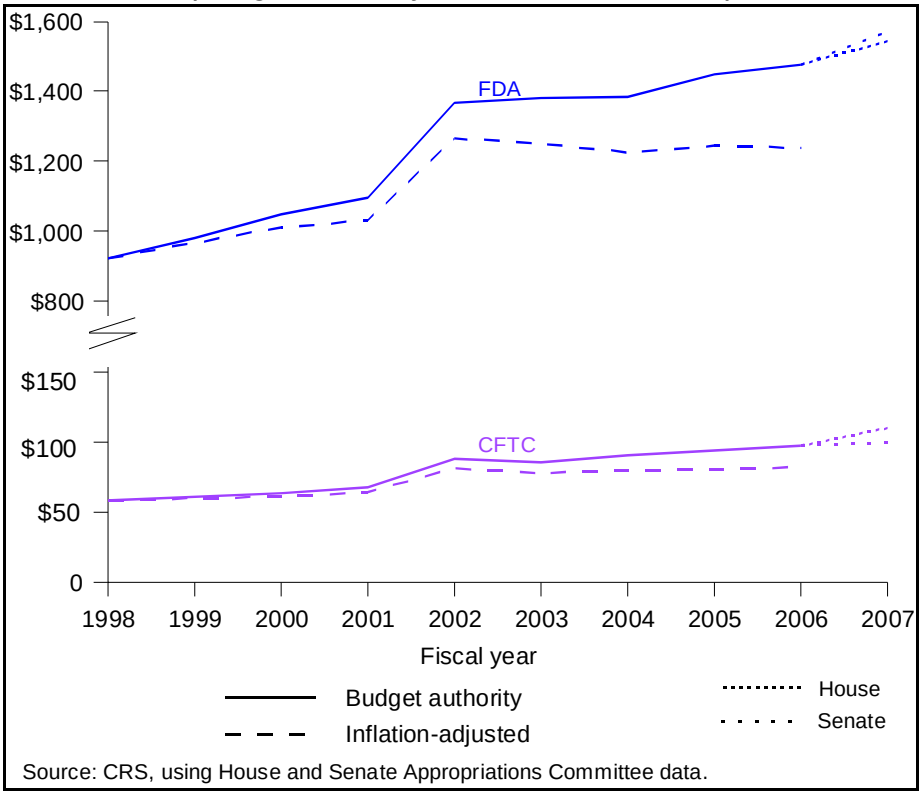
Sources: FDA, *Fiscal Year 2007 Justification of Estimates for Appropriations Committees*, Feb. 16, 2006; H.R. 5384 and H.Rept. 109-463, May 12, 2006; and H.R. 5384 and S.Rept. 109-266, June 22, 2006.

B.A. = budget authority, also referred to as direct appropriations. Fees = from collected user fees. Total = total program level = budget authority plus user fees.

[a]For program areas, the House-passed bill gives totals only; the Senate-reported bill gives BA and totals (fees calculated for table). [b]Reflects the 1% rescission, pursuant to P.L. 109-148.

[c]Includes mammography user fees and export certification user fees ($26.0 million FY2007; $25.1 million FY2006). [d]Does not include proposed user fees pending new legislation.

Figure 15. Food and Drug Administration (FDA) and Commodity Futures Trading Commission (CFTC)
(budget authority, in millions of dollars)



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.

For FY2007, the Senate-reported bill provides $99.5 million for the CFTC, an increase of $2.1 million (2.2%) from the FY2006 appropriation of $97.4 million. The House-passed bill provides $109.4 million, a 12% increase over FY2006, but $17.6 million less than (-14%) the Administration's request of $127.0 million (**Figure 15**). The Administration requested a large increase in recognition of growth and change in the markets that the agency regulates, and the House-passed bill supports some of that increase.

User Fee Proposal. Both the House and Senate bills reject the Administration's proposal that CFTC be funded by a transaction fee rather than by appropriated funds. The Administration's request did not specify any particular fee rate, but said that the proposed fee would "cover the cost of the CFTC's regulatory activities."[16] To fund the CFTC at the $127 million level, a fee of about six or seven cents per transaction on the futures exchanges would be required (based on 2005 trading volumes).

The same futures transaction fee proposal was last included in the Administration's FY2003 budget but was not enacted by Congress. In fact, every Administration since Ronald Reagan's has called unsuccessfully for such a fee. The futures industry argues that such a fee would be anti-competitive and could divert trading to foreign markets or to the unregulated over-the-counter market. However, it is not clear that a fee of this relatively modest size would have a significant impact on trading decisions in a market where the value of a single contract may rise or fall by hundreds or thousands of dollars in a day. The Administration notes that the "CFTC is the only federal financial regulator that does not derive its funding from the specialized entities it regulates."[17]

For more information about the CFTC user fee proposal, see CRS Report RS22415, *Proposed Transaction Fee on Futures Contracts*, by Mark Jickling.

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[16] *Budget of the United States Government, Fiscal Year 2007 — Appendix,* p. 1119. [http://www.whitehouse.gov/omb/budget/fy2007/pdf/appendix/oia.pdf].

[17] Ibid.

Table 12. USDA and Related Agencies Appropriations, FY2007 Action vs. FY2006 Enacted

(budget authority, in millions of dollars)

Agency or Major Program	FY2006	FY2007			
	Enacted[a]	Admin. Request	House Bill	Senate Bill	Senate vs. House
Title I: Agricultural Programs					
Agric. Research Service (ARS)	1,253.5	1,009.8	1,197.6	1,211.0	13.4
Coop. State Research Education and Extension Service (CSREES)	1,182.7	1,023.1	1,173.9	1,209.8	35.9
Economic Research Service (ERS)	75.2	82.5	81.0	76.0	-5.0
National Agric. Statistics Service (NASS)	139.3	152.6	148.2	148.7	0.5
Animal and Plant Health Inspection Service (APHIS)	812.3	951.6	927.6	906.4	-21.2
Agric. Marketing Service (AMS)	114.5	86.9	104.9	101.4	-3.5
Grain Inspection, Packers and Stockyards Admin. (GIPSA)	38.1	21.8	39.7	38.7	-1.0
Food Safety & Inspection Serv. (FSIS)	829.4	757.5	853.2	865.9	12.7
Farm Service Agency (FSA) - Total Salaries and Expenses	1,326.3	1,410.7	1,364.1	1,471.1	107.0
FSA Farm Loans - Subsidy Level	149.8	113.9	149.3	146.2	-3.1
Farm Loan Authority	*3,747.8*	*3,427.5*	*3,551.9*	*3,427.5*	*-124.4*
Risk Management Agency (RMA) Salaries and Expenses	76.3	80.8	77.2	78.5	1.3
Federal Crop Insurance Corp.[b]	3,159.4	4,131.0	4,131.0	4,131.0	0
Commodity Credit Corp. (CCC)[b]	25,690.0	19,740.0	19,740.0	19,740.0	0
Other Agencies and Programs	557.3	616.2	521.6	496.9	-24.7
Subtotal	**35,403.8**	**30,178.4**	**30,509.4**	**30,621.6**	**112.2**
Title II: Conservation Programs					
Conservation Operations	831.1	744.9	791.5	835.3	43.8
Watershed Surveys and Planning	6.0	0	6.0	6.0	0
Watershed & Flood Prevention	74.3	0	40.0	62.1	22.1
Watershed Rehabilitation Program	31.2	15.3	31.2	31.2	0
Resource Conservation & Dev.	50.8	25.9	50.8	50.8	0
Healthy Forests Reserve	0	2.5	0	5.0	5.0
Under Secretary, Natural Resources	0.7	1.0	0	0.8	0.8
Subtotal	**994.2**	**789.5**	**919.6**	**991.2**	**71.6**

Agency or Major Program	FY2006	FY2007			
	Enacted[a]	Admin. Request	House Bill	Senate Bill	Senate vs. House
Title III: Rural Development (RD)					
Rural Community Advancement Program (RCAP)	694.9	600.8	704.9	715.0	10.1
Salaries and Expenses	163.0	170.7	182.9	176.5	-6.3
Rural Housing Service (RHS)	1,460.4	1,287.2	1,117.1	1,144.7	27.6
RHS Loan Authority	*5,027.8*	*5,057.6*	*5,059.6*	*5,029.7*	*-29.9*
Rural Business-Cooperative Service	87.3	64.9	68.3	92.0	23.7
RBCS Loan Authority	*58.6*	*68.6*	*68.6*	*68.6*	*0*
Rural Utilities Service (RUS)	96.8	78.5	87.8	94.7	6.9
RUS Loan Authority	*6,596.5*	*4,884.2*	*5,880.7*	*9,149.3*	*3,268.5*
RD Under Secretary	0.6	0.8	0.7	0.6	-0.1
Subtotal	**2,503.1**	**2,202.8**	**2,161.7**	**2,223.5**	**61.8**
Subtotal, RD Loan Authority	*11,682.9*	*10,010.4*	*11,008.9*	*14,247.6*	*3,238.6*
Title IV: Domestic Food Programs					
Child Nutrition Programs	12,660.8	13,645.5	13,345.5	13,654.5	309.0
WIC Program	5,204.4	5,200.0	5,244.0	5,264.0	20.0
Food Stamp Act Programs	40,711.4	37,934.2	37,865.2	37,865.2	0
Commodity Assistance Programs	177.6	70.4	189.4	179.4	-10.0
Nutrition Programs Admin.	139.4	160.4	142.3	143.1	0.8
Office of Under Secretary	0.6	0.7	0.6	0.6	-0.04
Subtotal	**58,894.1**	**57,011.2**	**56,787.1**	**57,106.8**	**319.7**
Title V: Foreign Assistance					
Foreign Agric. Service (FAS)	146.4	157.5	156.5	156.2	-0.3
Public Law (P.L.) 480	1,218.1	1,221.2	1,225.8	1,227.7	1.9
McGovern- Dole International Food for Education	99.0	99.0	100.0	100.0	0
CCC Export Loan Salaries	5.2	5.3	5.3	5.3	0
Subtotal	**1,468.7**	**1,483.0**	**1,487.6**	**1,489.2**	**1.6**
Title VI: FDA & Related Agencies					
Food and Drug Administration	1,474.7	1,545.3	1,543.4	1,570.7	27.3
Commodity Futures Trading Commission (CFTC)	97.4	127.0	109.4	99.5	-9.9
Subtotal	**1,572.1**	**1,672.3**	**1,652.8**	**1,670.2**	**17.4**
Title VII: General Provisions[c]	**(42.1)**	**(25.3)**	**8.2**	**(2.7)***	**-10.9**

Agency or Major Program	FY2006	FY2007			
	Enacted[a]	Admin. Request	House Bill	Senate Bill	Senate vs. House
RECAPITULATION					
I: Agricultural Programs	35,403.8	30,178.4	30,509.4	30,621.6	112.2
Mandatory	28,865.5	23,875.2	23,887.6	23,887.6	0
Discretionary	6,538.3	6,303.2	6,621.9	6,734.0	112.2
II: Conservation Programs	994.2	789.5	919.6	991.2	71.6
III: Rural Development	2,503.1	2,202.8	2,161.7	2,223.5	61.8
IV: Domestic Food Programs	58,894.1	57,011.2	56,787.1	57,106.8	319.7
Mandatory	53,368.2	51,536.7	51,209.7	51,509.7	300.0
Discretionary	5,525.9	5,474.5	5,577.3	5,597.1	19.7
V: Foreign Assistance	1,468.7	1,483.0	1,487.6	1,489.2	1.6
VI: FDA & Related Agencies	1,572.1	1,672.3	1,652.8	1,670.2	17.4
VII: General Provisions *	(42.1)	(25.3)	8.2	(2.7)*	-10.9
VIII: Emergency Ag Assistance	—	—	—	3,999.0	
Subtotal, Before Adjustments	**100,794**	**93,312**	**93,526**	**98,259**	**4,732.4**
Subtotal, without VA funding *				**98,099**	**4,572.4**
Mandatory	82,234	75,412	75,097	75,397	300.0
Discretionary (gross), Title I-VII*	18,560	17,900	18,429	18,702	273.4
Emergency assistance, Title VIII	—	—	—	3,999	3,999.0
Scorekeeping Adjustments[d]	(946)	396	362	479	117*
Agriculture emergency, Title VIII				(3,999)	
VA emergency, Sec. 756				(160)	
Grand Total, After Adjustments	**99,848**	**93,709**	**93,888**	**94,579**	**691.2**
Mandatory	83,068	76,394	76,079	76,379	300
Discretionary (net), Titles I-VII	16,780	17,315	17,809	18,200	391
Budget Allocation (302(b))	16,780		17,812	18,200	388.0
Other emergency appropriations, for agencies in this bill, not included above					
P.L. 109-148 (Division B)					
Hurricane recovery [e]	722.0				
Pandemic influenza [f]	111.4				
Subtotal	**833.4**				
P.L. 109-234					
P.L. 480 Title II grants	350.0				
Hurricane recovery [g]	132.4				
Commodity assistance [h]	409.0				
Subtotal	**891.4**				

Source: CRS, using tables from the House and Senate Appropriations Committees.
* Senate amounts in this table exclude $160 million for the Veterans Administration (Section 756).
a. FY2006 levels reflect the 1% rescission to all discretionary accounts (P.L. 109-148).

b. 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 estimates.
c. General provisions in Title VII affect various programs administered under other titles.
d. Scorekeeping adjustments reflect the CBO estimates of savings or cost of provisions that affect mandatory programs, plus the permanent annual appropriation made to USDA's Section 32 program. For FY2006, includes $66.1 million in rescissions to food aid, conservation, and rural development.
e. The FY2006 Emergency Supplemental Appropriation to Address Hurricanes and Pandemic Influenza (Division B, Title I, of P.L. 109-148) includes $500 million for conservation and watersheds, $50 million for a forestry conservation reserve, $118 million for rural development, $10 million for food and nutrition, $35 million for department administration, and $9 million for research facilities.
f. Division B, Title II, of P.L. 109-148 includes $91 million for USDA (from which $71 million go to the Animal and Plant Health Inspection Service), and $20 million for the Food and Drug Administration.
g. The FY2006 Emergency Supplemental for Defense, the Global War on Terror, and Hurricane Recovery (P.L. 109-234) includes $25.4 million for administration, $30 million for ARS, $51 million for emergency watersheds, and $26 million for rural development.
h. Amounts for commodity assistance in P.L. 109-234 in this table do not include some forestry programs administered by the Forest Service, which is funded in the Interior appropriations bill. The total of commodity assistance through all of USDA is $500 million.