An hourglass-shaped graphic with a globe inside. The top bulb is dark blue, and the bottom bulb is light blue. The globe is centered in the narrow neck of the hourglass. The text is centered within the hourglass.

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February 2, 2009

Congressional Research Service

Report RL32904

Agriculture and Related Agencies: FY2006 Appropriations

Jim Monke, Resources, Science, and Industry Division

January 27, 2006

Abstract. 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.

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Agriculture and Related Agencies: FY2006 Appropriations

Updated January 27, 2006

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

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

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

Agriculture and Related Agencies: FY2006 Appropriations

Summary

The President signed the FY2006 Agriculture Appropriations Act (P.L. 109-97, H.R. 2744) into law on November 10, 2005. The act includes all of the U.S. Department of Agriculture (except the Forest Service), plus the Food and Drug Administration, and the Commodity Futures Trading Commission. The \$100.1 billion law is \$15.0 billion (+18%) above FY2005 levels, and contains \$17.03 billion in discretionary spending and \$83.07 billion for mandatory programs. The discretionary amount is \$199 million (+1.2%) above FY2005 levels, \$201 million (+1.2%) more than the House bill, and \$317 million (-1.8%) below the Senate bill.

Increases in mandatory programs account for 99% of the increase over FY2005 levels. About 83% of the \$100.1 billion total is for mandatory programs (primarily food and nutrition assistance, farm commodity support, and crop insurance), and most of this spending rises or falls on economic or weather conditions. Appropriators have direct control over discretionary programs, the remaining 17%.

P.L. 109-97 rejects or limits many of the Administration's proposed reductions to many conservation and rural development programs. It rejects the Administration's proposal to redirect \$300 million in foreign food assistance funds to purchase food in foreign markets. This has proven controversial with farm groups and private voluntary organizations. The law also rejects the Administration's proposal to cut formula funds for state agricultural experiment stations (under the Hatch Act) by 50% and provide a new pool of competitive grants.

The act postpones country of origin labeling (COOL) for two more years (until 2008) and expands the scope of the delay to include not only beef, but also lamb, pork, fresh fruits and vegetables, and peanuts. Regarding a trade dispute, conferees dropped a Senate amendment that would have stopped USDA from allowing Japan to resume exporting beef to the United States; conferees instead inserted report language encouraging negotiations with Japan to reopen its market to U.S. beef. A Senate amendment prohibiting nonambulatory livestock ("downers") from being used for human food was dropped by conferees. However, an amendment was retained that prohibits the inspection of horses destined for human food, but it remains unclear whether the provision will be entirely effective. The National Organic Program was amended in response to a recent court decision on organic standards that prohibits the use of synthetic substances and non-organic feed.

Conferees did not adopt a House amendment that would have allowed prescription drug reimportation, thus averting a possible veto.

Supplementals and Rescissions. Subsequent to the regular agriculture appropriation, Congress enacted emergency supplemental appropriations (Division B of P.L. 109-148, the FY2006 Defense Appropriations Act). Agriculture accounts receive \$1.08 billion for hurricane recovery, and \$111 million for avian influenza. The supplemental act also contains targeted rescissions totaling \$66 million to agriculture accounts and a 1% across-the-board rescission to discretionary spending.

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

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Agriculture and Related Agencies: Appropriations for FY2006

Most Recent Developments

After the FY2006 Agriculture Appropriations Act was signed into law (below), Congress enacted emergency supplemental appropriations for hurricane recovery and pandemic influenza (Division B of P.L. 109-148, the FY2006 Defense Appropriations Act). Accounts in the agriculture appropriations bill receive \$1.08 billion for hurricane recovery, and \$111 million for avian influenza. The supplemental act also contains targeted rescissions totaling \$66 million to agriculture accounts and a 1% across-the-board rescission to discretionary spending.

The regular FY2006 Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act (P.L. 109-97, H.R. 2744) was signed into law on November 10, 2005. The act includes all of the U.S. Department of Agriculture (except the Forest Service), plus the Food and Drug Administration and the Commodity Futures Trading Commission. The \$100.1 billion law is \$15.0 billion (+18%) above FY2005 levels overall,¹ and contains \$17.03 billion in discretionary spending (+1.2% above FY2005) and \$83.07 billion for mandatory programs (+22% above FY2005).

USDA Spending at a Glance

The U.S. Department of Agriculture (USDA) carries out its widely varied responsibilities through approximately 30 separate internal agencies and offices staffed by some 100,000 employees. USDA is responsible for many activities outside of the agriculture budget function. Hence, spending for USDA is not synonymous with spending for farm programs. Similarly, agriculture appropriations bills are not limited to USDA and include related programs such as the Food and Drug Administration and the Commodity Futures Trading Commission, but exclude the Forest Service within USDA.

USDA gross outlays for FY2005 were estimated to be \$100.5 billion, including regular and supplemental spending. The mission area with the largest gross outlays

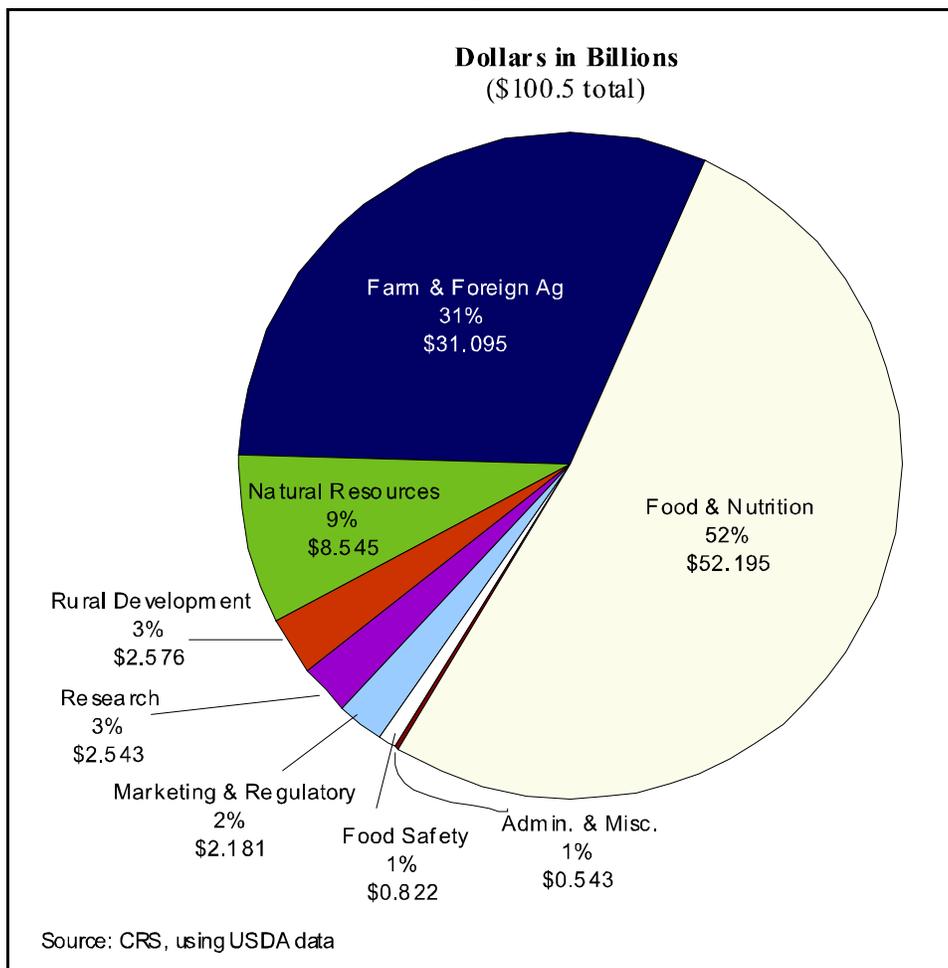
¹ All FY2005 figures in this report (including **Table 8**) reflect the 0.8% across-the-board rescission to discretionary accounts as required in the FY2005 omnibus act (P.L. 108-447).

The FY2006 Defense Appropriations Act (P.L. 109-148, H.R. 2863) contains a 1% rescission to all discretionary accounts in each regular FY2006 appropriations act. FY2006 appropriated levels cited in this report do not reflect the effect of this rescission.

(\$52.2 billion, or 52% of spending) was for food and nutrition programs — primarily the food stamp program (the costliest single USDA program), various child nutrition programs, and the Supplemental Nutrition Program for Women, Infants, and Children (WIC).

The second-largest mission area in terms of total spending is for farm and foreign agricultural services, which totaled \$31.1 billion, or 31% of all USDA spending in FY2003. Within this area are the programs funded through the Commodity Credit Corporation (e.g., the farm commodity price and income support programs and certain mandatory conservation and trade programs), crop insurance, farm loans, and foreign food aid programs (see **Figure 1**).

Figure 1. Gross Outlays, U.S. Department of Agriculture, FY2005



Other USDA spending in FY2005 included \$8.5 billion (9%) for an array of natural resource and environment programs, approximately 65% of which was for the activities of the Forest Service, and the balance for a number of discretionary

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conservation programs for farm producers. USDA's Forest Service is funded through the Interior appropriations bill; it is the only USDA agency not funded through the annual agriculture appropriations bill.

The balance of USDA spending was for rural development (\$2.6 billion, 2.6%); research and education (\$2.5 billion, 2.5%); marketing and regulatory activities (\$2.2 billion, 2.2%); meat and poultry inspection (\$822 million, 0.8%); and departmental administration and miscellaneous activities (\$543 million, 0.5%).

Mandatory vs. Discretionary Spending

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

Approximately 80% of total spending within the USDA is classified as mandatory, which by definition occurs outside of annual appropriations. The vast majority of USDA's mandatory spending is for the following programs: the food stamp program and most child nutrition programs; the farm commodity price and income support programs (including ongoing programs authorized by the 2002 farm bill and emergency programs authorized by various appropriations acts); the federal crop insurance program; and various agricultural conservation and trade programs.

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

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

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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. USDA and Related Agencies Appropriations:
FY1998 to FY2006**

(budget authority in billions of dollars)

	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Mandatory	35.8	42.3	62.0	58.3	56.9	56.7	69.8	68.3	83.1
Discretionary	13.8	13.7	14.0	15.1	16.0	17.9	16.8	16.8	17.0
Total Budget Authority	49.6	55.9	75.9	73.4	72.9	74.6	86.6	85.1	100.1
Percent discretionary	28%	24%	18%	21%	22%	24%	19%	20%	17%

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

Note: Includes regular annual appropriations for all of USDA (except the Forest Service), the Food and Drug Administration, and the Commodity Futures Trading Commission. Excludes all mandatory emergency supplemental appropriations. Amounts reflect any rescissions that were applied to the final appropriation in certain fiscal years.

Action on FY2006 Appropriations

The President signed the FY2006 Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act (P.L. 109-97, H.R. 2744) into law on November 10, 2005. The act includes all of USDA (except the Forest Service), plus the Food and Drug Administration and Commodity Futures Trading Commission.

The conference agreement (H.Rept. 109-255) was reported on October 26, 2005. The House passed the conference agreement on October 28, 2005, by a vote of 318-63, and the Senate passed it on November 3, 2005, by a vote of 81-18.

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

The Senate approved its version (H.R. 2744, S.Rept. 109-92) on September 22, 2005, by a vote of 97-2, after adopting 38 amendments. Only one amendment reallocated funding; most other amendments restricted use of funds for certain activities, or were Sense of the Senate amendments. The Senate Appropriations committee reported the measure on June 27, 2005, following full committee approval on June 23, 2005, and subcommittee approval on June 21, 2005.

The FY2006 Defense Appropriations Act (P.L. 109-148, H.R. 2863) contains a 1% rescission to all discretionary accounts in each regular FY2006 appropriations act. FY2006 appropriated levels cited in this report do not reflect the effect of this rescission.

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

Subcommittee Approval		Committee Approval		House Passage	Senate Passage	Conference Report	Conference Report Approval		Public Law
House	Senate	House	Senate				House	Senate	
		H.R. 2744 H.Rept. 109-102	H.R. 2744 S.Rept. 109-92	Vote of 408-18	Vote of 97-2	H.R. 2744 H.Rept. 109-255	Vote of 318-63	Vote of 81-18	P.L. 109-97
5/16/05	6/21/05	6/2/05	6/27/05	6/8/05	9/22/05	9/26/05	10/28/05	11/3/05	11/10/05

P.L. 109-97 provides for a total of \$100.099 billion (\$15 billion, or 18%, above FY2005), and includes \$17.031 billion in discretionary spending and \$83.068 billion for mandatory programs. Increases in mandatory programs affected by economic or weather conditions account for nearly 99% of the increase over FY2005 levels.

The discretionary amount, the category of spending over which appropriators have direct control, is 1.2% above FY2005 levels, and 1.2% above the House-passed bill, but 1.8% below the Senate-passed bill (Table 3).

Table 3. USDA and Related Agencies Appropriations, FY2006 Conference Agreement Compared with Other Versions
(budget authority, in millions of \$)

Category	FY2006 Enacted P.L. 109-97	Change from FY2005	Change from Admin. Request	Change from House bill	Change from Senate bill
Discretionary	17,031	199	292	201	-317
% change		1.2%	1.7%	1.2%	-1.8%
Mandatory	83,068	14,773	246	246	250
% change		22%	0.3%	0.3%	0.3%
Total	100,099	14,972	537	447	-67
% change		18%	0.5%	0.4%	-0.1%

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

The Senate agriculture appropriations subcommittee had a slightly higher 302(b) allocation for discretionary spending (\$17.348 billion), compared with the House (\$16.832 billion). The conference agreement split the difference and allowed a discretionary cap of \$17.090 billion. See Table 8 at the end of this report for a tabular summary of each agency at various stages during the appropriations process.

Mandatory programs administered by USDA (primarily food and nutrition programs, farm commodity support, and crop insurance) account for 83% of the total.

The FY2006 Defense Appropriations Act (P.L. 109-148, H.R. 2863) contains a 1% rescission to all discretionary accounts in each regular FY2006 appropriations act. FY2006 appropriated levels cited in this report do not reflect the effect of this rescission.

Mandatory spending is highly variable and driven by program participation rates, economic conditions, and weather patterns. Greater farm commodity spending is anticipated due to lower commodity prices, which resulted in higher counter-cyclical and loan deficiency payments. USDA requested an increase of \$9.2 billion (+56%) for the Commodity Credit Corporation to reimburse it for past spending, and an increase of \$6.2 billion (+13%) for mandatory domestic food assistance programs.

Limits on Mandatory Programs. As in past years, appropriators placed limitations on authorized levels of spending in the 2002 farm bill (P.L. 107-171) for various mandatory conservation, rural development, and research programs. In total, appropriators reduced authorized FY2006 spending levels for these programs by nearly \$1.5 billion in P.L. 109-97 (compared with \$1.4 billion in the House bill, \$1.3 billion in the Senate bill, and \$1.2 billion in FY2005), and applied those savings toward meeting the discretionary allocation. These amounts are counted as part of the “scorekeeping adjustments.” For more details on the limits placed on mandatory programs, see **Table 5** in the conservation section (\$638 million), text near the end of the Cooperative State Research section (\$300 million), and **Table 6** in the rural development section (\$544 million) of this report.²

Because scorekeeping adjustments are negative (or scored as savings), P.L. 109-97 includes budget authority for \$101 billion in programs, nearly \$900 million more than the \$100.1 billion final cost of the law.

Earmarks. In recent years, the agriculture appropriations bill has contained 600-700 earmarks totaling about \$500 million, or 3% of the discretionary total. 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.

The Senate adopted one floor amendment (by a vote of 55-39) with the intent to improve the transparency of earmarks in the final bill by requiring that any “limitation, directive, or earmarking” in the House or Senate reports be restated in the conference report in order to be considered approved by both chambers. The amendment was not included in the conference agreement. Instead, the joint explanatory statement contains language used in prior years’ appropriations acts that allows House and Senate report language to stand unless conferees address it specifically: “The House and Senate report language that is not changed by the conference is approved by the committee of conference” (H.Rept. 109-255, p. 51).

Disaster Funding. No version of the regular FY2006 Agriculture Appropriations Act contains specific emergency or disaster funding for hurricane

² 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 \$[...].”

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relief. During floor debate, the bill's Senate sponsors said that the regular USDA appropriation allows the Department to respond to disasters, and that any additional funds should be appropriated through a dedicated emergency supplemental bill.

Supplemental Appropriations and Rescissions. After the regular agriculture appropriations bill was signed into law, Congress enacted emergency supplemental appropriations for hurricane recovery and pandemic influenza (Division B of P.L. 109-148, the FY2006 Defense Appropriations Act). The supplemental was signed into law on December 30, 2005.

Accounts included in the regular agriculture appropriations bill receive \$1.08 billion for hurricane recovery and \$111 million for avian influenza. The supplemental act also contains targeted rescissions totaling \$66 million to agriculture accounts and a 1% across-the-board rescission to discretionary spending.

Amounts for agriculture in the hurricane recovery supplemental include \$500 million for conservation and watershed protection, \$404 million for a forestry conservation reserve program, \$118 million for various rural development programs, \$10 million for food and nutrition, \$35 million for department administration, and \$9 million for agricultural research facilities.

Amounts for agriculture and related agencies in the pandemic influenza supplemental include \$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.

The \$66 million in targeted rescissions from agriculture accounts include \$35 million from foreign food aid, \$10 million from conservation, \$10 million from rural development, and \$11 million from food and nutrition. The across-the-board 1% rescission to discretionary accounts will reduce appropriations to USDA by about \$170 million and is expected to be prorated across all accounts.

More information on the supplemental appropriations and rescissions is available later in this report, including in **Table 8**.

Budget Reconciliation Separate from Appropriations. On April 28, 2005, the House and Senate passed the conference agreement on the FY2006 budget (H.Con.Res. 95, H.Rept. 109-62). In addition to the discretionary budget allocations, the budget agreement also provided reconciliation instructions that the agriculture authorizing committees find program changes to save \$173 million in FY2006 and \$3.0 billion over FY2006-FY2010. The budget reconciliation process is separate from the appropriations process, and is done by the House and Senate Agriculture Committees, not the agriculture subcommittees of the Appropriations Committees.

The conference agreement on the Deficit Reduction Act of 2005 (S. 1932, H.Rept. 109-362) includes net reductions of \$2.7 billion over five years for USDA

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mandatory programs, as scored by CBO over a five-year period (FY2006-FY2010). This includes a \$1.7 billion reduction in farm commodity support programs, a \$934 million reduction in conservation spending, a \$620 million reduction in a mandatory research program, and a \$419 million cut in rural development programs. The measure also includes a two-year extension of MILC, at an estimated cost of \$998 million. No reductions to food stamp spending were included in the conference agreement. Final action is expected shortly after the 109th Congress returns for its second session. For more on budget reconciliation, see CRS Report RS22086, *Agriculture and FY2006 Budget Reconciliation*, by Ralph M. Chite.

The remaining sections of this report review the major recommendations in the conference agreement and compare those with the House and Senate bills, the Administration's request, and the enacted FY2005 appropriations levels. For a tabular summary, see **Table 8** 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.

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. 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.

P.L. 109-97 provides the CCC with an indefinite appropriation ("such sums as necessary") for FY2006 estimated at \$25.690 billion. This concurs with both the House and Senate bills and the Administration's request. The recommended FY2006

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appropriation is about \$9.2 billion (+56%) above the estimated FY2005 appropriation of \$16.452 billion. This appropriation tracks changes in the CCC's net realized losses (spending) that were incurred primarily in the preceding fiscal year (FY2005) under the mandatory provisions authorized in the 2002 farm bill. It does not reflect any changes in programs enacted in the appropriations act.

The estimated CCC appropriation is not a reflection of expected outlays. Outlays in FY2006 are funded initially through the borrowing authority of the CCC, and later reimbursed through a future appropriation. For FY2006, the Administration projects that CCC net outlays will be \$21.7 billion, compared with an estimated \$19.5 billion in FY2005 (see **Table 4**).

**Table 4. Commodity Credit Corporation (CCC)
Outlays and Appropriations**
(millions of \$)

Category	FY2003	FY2004	FY2005	FY2006
Outlays	17,425	10,575	19,546	21,656*
% change from prior year		-39%	85%	11%
Appropriations				
Requested and enacted	16,285	17,275	16,452	25,690
% change from prior year		6%	-5%	56%
Appropriation actually used	17,684	22,937	12,456	22,743*
% change from prior year		30%	-46%	83%

Source: USDA, "Table 35. CCC Net Outlays by Commodity and Function" (July 13, 2005) and Commodity Estimates Book (February 7, 2005).

* estimated

The Administration's FY2006 budget request contained legislative proposals to reduce farm commodity program spending. As part of budget reconciliation ordered in the FY2006 budget resolution, the conference agreement on the Deficit Reduction Act of 2005 (S. 1932, H.Rept. 109-362) includes net reductions of \$1.7 billion in farm commodity support programs over five years. Final action is expected shortly after the 109th Congress returns for its second session.

Most of the reduction in farm programs comes from changing the timing of direct payments without reducing the overall level of payments to farmers. Prior to reconciliation, up to 50% of direct payments were paid in advance of the crop year. The conference agreement reduces the advance payment rate to 40% in the 2006 crop year and to 22% in 2007. Not included in the conference agreement is an across-the-board cut in farm commodity payments, which was recommended at different levels in the House- and Senate-passed bills. Offsetting just over one-half of the \$1.7 billion in farm commodity program savings is a provision reauthorizing expired Milk Income Loss Contract (MILC) for two years (until September 30, 2007).

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The agreement also includes the elimination of the upland cotton step-2 program on August 1, 2006, in response to Brazil's successful challenge of the program in the World Trade Organization (WTO). For more on budget reconciliation, see CRS Report RS22086, *Agriculture and FY2006 Budget Reconciliation*, by Ralph M. Chite, and CRS Report RS21999, *Farm Commodity Policy: Programs and Issues for Congress*, 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 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.

P.L. 109-97 concurs with the Administration request for such sums as are necessary for the mandatory-funded Federal Crop Insurance Fund (Fund), which the Administration estimates to be \$3.159 billion for FY2006, compared with \$4.095 billion that was estimated for FY2005 at the time of enactment of the FY2005 appropriations bill. Annual spending on the crop insurance program is difficult to predict in advance and is dependent on weather and crop growing conditions and farmer participation rates. Hence, both the FY2005 and FY2006 estimates for the Fund are subject to significant revision over the course of the year.

For the discretionary component of the crop insurance program, P.L. 109-97 provides \$77.05 million for FY2006 RMA salaries and expenses, lower than the House-passed level of \$77.8 million, but above the Senate-passed level of \$73.45 million. The final FY2006 level is above the enacted FY2005 level of \$71.47 million, but below the Administration's FY2006 request of \$87.8 million. Included in the conference level is \$3.6 million requested by the Administration to support RMA's ongoing efforts to reduce waste and abuse within the crop insurance program. For the last several years, mandatory funds from the Fund have been used for this purpose. However, the legislative authority to tap these funds expired at the end of FY2005. As in the past three years, most of the increase requested by the Administration was for various new information technology (IT) initiatives. Over the past couple of years, appropriators have not funded this request. Of the \$12 million requested increase for various IT initiatives, P.L. 109-97 concurs with the Senate and provides \$1 million, compared with \$1.5 million in the House-passed bill.

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P.L. 109-97 also adopts a modified version of a House provision that prohibits RMA from using funds to implement the premium discount plan (PDP). The Senate-passed version was silent on this issue. Appropriators prohibit USDA from using any FY2006 funds to implement or administer the PDP for the 2007 reinsurance year. Conferees also specifically prohibit the issuance of any regulations, bulletins, or policy or agency guidance. The version in the House-passed bill would have prohibited implementing or administering the PDP for the 2006 reinsurance year (which began on July 1, 2005). The PDP allows crop insurance companies that can demonstrate cost savings in their delivery of insurance to sell policies to their customers at a discount. For example, one participating company has reduced its costs by selling its policies directly to customers online. Independent insurance agents, which sell crop insurance on behalf of the crop insurance companies, are concerned that the PDP reduces their total commissions and damages their profitability. Some farm groups contend that the PDP encourages cherry-picking of the best customers and might leave smaller farmers uninsured.

The Administration's FY2006 budget request contained legislative proposals affecting the crop insurance program that, if they had been adopted by Congress, would have saved \$140 million annually, beginning in FY2007. Neither chamber addressed these modifications to the crop insurance program during the FY2006 agriculture appropriations debate. Also, the conference agreement on the FY2006 omnibus budget reconciliation act (H. Rept 109-362, S. 1932) did not contain any legislative changes to the crop insurance program. (For more on budget reconciliation, see CRS Report RS22086, *Agriculture and FY2006 Budget Reconciliation*, by Ralph M. Chite.)

Farm Service Agency

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

FSA Salaries and Expenses. This account funds the expenses for program administration and other functions assigned to the FSA. These funds include transfers from CCC export credit guarantees, from P.L. 480 loans, and from the various direct and guaranteed farm loan programs. All administrative funds used by FSA are consolidated into one account. For FY2006, P.L. 109-97 provides a total appropriation of \$1.340 billion for all FSA salaries and expenses. This is \$45 million (+3.4%) above the FY2005 appropriation, and \$14 million above the House bill, but \$18 million below the Senate bill, and \$25 million below the Administration's request.

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Regarding closing and reorganizing county offices, conferees inserted language prohibiting the use of salaries and expenses to close any county office unless the Secretary notifies Congress and holds public meetings in the affected counties. In the joint explanatory statement, conferees encourage USDA “to exercise a cautious approach” toward any office closures. This language is stronger than in past appropriations reports because of the negative reaction to the “FSA Tomorrow” plan in which USDA planned to close several hundred county offices but did not notify or consult with Congress before press reports revealed the plans. The FY2006 House report reiterates concern expressed in prior years’ appropriations reports instructing USDA not to shut down or consolidate any FSA county offices unless rigorous analysis proves such action to be cost-effective. But Senate action came after the “FSA Tomorrow” plan was revealed, and the Senate adopted a floor amendment to prevent office closures unless FSA both demonstrates how the closure would improve cost-effectiveness and program delivery, and reports those findings to the appropriations committees.

The National Agricultural Imagery Program (NAIP) would receive \$24 million under the conference agreement, an increase of \$2.9 million. Conferees also included a \$15 million increase to maintain staffing levels being funded in FY2005 by carryover balances from supplemental acts to implement the farm bill, and \$1.5 million for additional farm loan officers.

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

For FY2006, P.L. 109-97 provides an appropriation of \$151.3 million to subsidize the cost of making \$3.785 billion in direct and guaranteed FSA loans. The loan subsidy is 3.4% below FY2005, while the loan authority rises by 1.8%. The overall loan authority can rise while the loan subsidy falls because (1) the guaranteed loan program grows more than the direct loan program, and (2) the multiplier (loan authority divided by loan subsidy) rises for most programs as a result of USDA factoring in low interest rates and a history of fewer defaults by borrowers.

Most of the growth in loan authority over FY2005 levels is a \$59 million increase in unsubsidized guaranteed farm operating loans (an increase of about 5.4%,

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to \$1.15 billion in FY2006). Changes in unsubsidized guaranteed loans can be made with smaller changes in appropriations compared to subsidized or direct loans.

The conference agreement adopts the slightly higher Senate level for direct farm ownership loans, and splits the difference between the House and Senate bills for unsubsidized and subsidized guaranteed operating loans. Thus, the subsidized guaranteed operating loan account is increased from the Administration request and concurring House bill, while the unsubsidized guaranteed operating loan program is reduced from the House bill and Administration request. In recent years, the subsidized guaranteed operating loan program has not been able to meet demand, and qualified farmers have been placed on waiting lists when funds are depleted. In FY2006, the subsidized guaranteed operating loan program will be 3% smaller than in FY2005.

The conference agreement, like both the House and Senate bills, does not fund the Administration's request for \$25 million in emergency loan authority (\$2.7 million in loan subsidy), nor does it grant the Administration's request to reduce the boll weevil eradication loan program by 40%. The conference report notes that sufficient loan authority should exist from carryover funding to allow the emergency loan program to continue operate in FY2006.

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

Conservation

P.L. 109-97 provides more funds for discretionary conservation programs (\$1,004.2 million) than either the Senate-passed bill (\$964.0 million) or the House-passed bill (\$939.8 million). This amount is also a small increase from the FY2005 appropriation (\$991.9 million) and a substantial increase from the Administration's FY2006 request (\$814.4 million). The agreement rejects many of the Administration's proposed reductions from FY2005 funding for discretionary programs. The agreement also reduces funding for selected mandatory conservation programs, as shown below in **Table 5**. With the reductions in the conference agreement, overall mandatory funding will decline slightly from \$3.805 billion in FY2005 to \$3.729 billion in FY2006.

Discretionary Programs. All the discretionary programs are administered by the Natural Resources Conservation Service. For the largest of these programs, Conservation Operations, P.L. 109-97 provides \$839.5 million, which is an increase above both the Senate bill (\$819.6million) and the House (\$773.6 million). It is also more than the FY2005 appropriation (\$830.7 million) and much more than the Administration request (\$767.8 million). The reduction requested by the Administration was based on a decision not to fund earmarks, which totaled more than \$122 million in FY2005 and would have saved an estimated \$114.3 million in FY2006. However, the conference agreement rejects this proposal and the committee

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report identifies numerous earmarks. It requires the Secretary to report to the appropriations committees by July 1, 2006, on any projects or activities earmarked in this bill for which funds have not been obligated. The conference agreement does not allocate any funds to assist producers in meeting regulatory requirements, as called for the Administration request and the House bill.

Among the other discretionary programs, the conference agreement provides \$75 million for Watershed and Flood Prevention Operations, which is \$15 million more than provided in the House and Senate bills and the same as the FY2005 appropriation, but \$75 million more than the Administration had requested. It limits spending on technical assistance to \$30 million of this total. For Watershed Surveys and Planning, the conferees provide \$6.1 million, which is less than the House and last year's appropriation (\$7.0 million) but more than the Senate (\$5.1 million). The conference agreement provides \$31.6 million for the Watershed Rehabilitation Program, which is more than the Senate provided (\$27.3 million) and the Administration had requested (\$15.1 million), but less than the House provided (\$47.0 million). The conferees provide \$51.3 million for the Resource Conservation and Development Program (RC&D), which is nearly identical to funding in both chambers (\$51.2 million in the Senate and \$51.4 million in the House). These amounts are substantially more than the Administration request of \$25.6 million.

In one major change from the Administration's request, the conference committee, like both chambers, includes numerous priority projects using funds from the Watershed and Flood Prevention Operations account, but does not earmark specific amounts. The Administration had asserted that elimination of Watershed and Flood Prevention Operations would allow resources to be redirected to other priority "regulatory challenges." In a second major change from the request, the conference committee, like both chambers, rejects the Administration's proposed reduction to the RC&D account that would have been based on a change in policy to phase out federal support to RC&D councils after they had received federal funds for 20 years. Of the 375 participating councils, 189 (50%) would have lost funding under this proposal. The conference agreement adopted language from the House committee report stating that changes in funding policy for this program should be based on "effectiveness and performance" rather than on the age of councils. Finally, no funding was sought or was provided for the two emergency conservation programs. Typically, these programs are funded in supplemental appropriations legislation in response to specific natural disasters, and for FY2006, they were funded in Division B of the Department of Defense Appropriations Act, discussed at the end of the conservation subsection.

Mandatory Programs. Overall funding for the suite of mandatory conservation programs declines slightly from FY2005. Specific reductions in P.L. 109-97 are listed in **Table 5**, and compared with authorized levels in the farm bill and levels allowed in FY2005.

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The conference committee does not place funding or enrollment limits on the Conservation Reserve Program, which is the only mandatory conservation program not administered by NRCS (it is administered by the Farm Service Agency). This action concurs with the Administration request, and, as a result, program spending is estimated to increase by \$79 million to \$2.021 billion in FY2006.

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

Table 5. Reductions in Mandatory Conservation Programs

(\$ million, unless noted otherwise)

Program	FY2005 Allowed Level	FY2006 Authorized Level under 2002 Farm Bill*	FY2006 Conference Report on H.R. 2744	Difference from FY2006 Authorized Level
Environmental Quality Incentives Program	1,017	1,200	1,017	-183
Conservation Security Program	\$202.4	\$331	\$259	-72
Wildlife Habitat Incentives Program	\$47	\$85	\$43	-42
Wetlands Reserve Program	154,500 acres	250,000 acres	150,000 acres	-82
Farm and Ranch Lands Protection Program	\$112	\$100	\$73.5	-26.5
Ground and Surface Water	\$51	\$60	\$51	-9
Small Watershed Rehab. Program	\$0	\$210	\$0	-210
Ag. Management Assistance **	\$14	\$20	\$6	-14
Total Reductions in Mandatory Conservation Programs (included in scorekeeping adjustments)				-638.5

Source: Congressional Budget Office

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

** Under this program, as amended, \$14 million of the FY2006 total goes to NRCS, and that would not be funded; the remaining \$6 million, which goes to RMA and AMS, would be fully funded.

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When compared to authorized levels, the largest reduction in mandatory programs is the Environmental Quality Incentives Program, authorized at \$1.2 billion but receiving \$1.017 billion in FY2005, which would receive the same funding in FY2006. When other proposed reductions are viewed this way, the Farm and Ranch Lands Protection Program received \$13 million less than its authorized level of \$125 million in FY2005 and would receive \$26.5 million less than its FY2006 authorized level of \$100 million, while the Wetland Reserve Program would be limited to enrolling 100,000 acres less than the 250,000 authorized.

Among the largest increases from FY2005 are the Conservation Reserve Program (up \$79 million) and the Conservation Security Program (up \$56 million). While the Conservation Security Program would increase under the request, CBO estimated in its January 2005 baseline that it would grow by \$254 million in FY2006, rather than this smaller amount, so program supporters are likely to view this increase as a significant reduction from the higher estimated level.

The conference agreement provides \$2.5 million to initiate a new program authorized in forestry legislation, the Healthy Forest Reserve. This program will be administered by the Natural Resources Conservation Service. The Senate bill provided \$5 million to implement it while the House bill did not provide any funding.

Supplemental Appropriations and Rescissions. After FY2006 appropriations legislation was signed into law, Congress enacted supplemental legislation to provide additional funds to address hurricane damage which occurred during calendar year 2005. This legislation is in Division B of P.L. 109-148, the FY2006 Department of Defense Appropriations Act. In Title I of this Division, Congress provides \$199.8 million to the Emergency Conservation Program (administered by the FSA), and \$300 million to the Emergency Watershed Program (administered by the NRCS). Congress did not provide any instructions as to how these funds should be allocated among the hurricane-damaged states. For the Emergency Watershed Program, Congress stipulated that all recipients must pay at least 25% of the cost of the clean up, meaning no recipient could be eligible for a higher federal cost share, which the Secretary can provide under certain circumstances. It also specified that funds may be used “to remove and dispose of debris and animal carcasses...” Congress also created a new Emergency Forestry Conservation Program for the same locations, and funded it at \$404.1 million. It is to retire land under 10-year contracts so that erosion can be reduced and timber stands reestablished, with regulations to be issued within 90 days of enactment. The Department has yet to announce which agency will administer this new program.

An offset to these appropriations was a rescission of \$10 million from the Conservation Operations Program. Report language prohibits the Department from taking this reduction from earmarks identified in the conference committee report accompanying the regular agriculture appropriations (H.Rept. 109-255).

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Agricultural Trade and Food Aid

Title V of P.L. 109-97 provides \$1.483 billion in budget authority for USDA's discretionary international activities which include primarily foreign food aid programs under the Agricultural Trade Development and Assistance Act of 1954 (P.L. 83-480) and the salaries and expenses of the Foreign Agricultural Service. This amount is virtually identical to the Senate-passed measure and reflects primarily an increased appropriation for food aid that was in the Senate bill.

The conference report rejects the President's proposal to purchase commodities in markets near to countries in need rather than from U.S. producers by shifting funds from P.L. 480 to a U.S. Agency for International Development (USAID) disaster and famine assistance fund.³ Despite some expectations to the contrary, there were no Senate amendments that would have provided some or all of the \$300 million requested by the President for purchase of non-U.S. commodities for famine relief (see below).

USDA's international activities also include those funded through the borrowing authority of the Commodity Credit Corporation (CCC). Included in this category are some additional food aid programs, export credit guarantees, market development programs, and export subsidies. USDA estimates that the total program value of discretionary and CCC-funded international activities for FY2006 would be more than \$6 billion. Export subsidies, export credit guarantees, and food aid, but not export markets, are subjects in agriculture negotiations in the ongoing Doha Round of multilateral trade negotiations of the World Trade Organization.

Foreign Agricultural Service (FAS). P.L. 109-97 provides \$147.9 million for FAS, which administers USDA's international programs with the exception of P.L. 480 Title II commodity donations, which are administered by USAID. This amount is \$11.2 million more than enacted in FY2005, but very close to the President's budget recommendation. The House bill recommended an appropriation of \$148.2 million for FAS. The Senate measure recommended \$147.9 million.

Foreign Food Assistance. For P.L. 480 foreign food aid programs, P.L. 109-97 provides \$1.230 billion. The proposed budget authority includes \$77 million for P.L. 480 Title I (long-term, low-interest loans to food deficit countries for the purchase of U.S. food commodities) and \$1.150 billion for P.L. 480 Title II (humanitarian donations for emergency relief and non-emergency development projects). The P.L. 480 Title II appropriation is \$265 million more than requested in the President's budget. The House bill recommended budget authority of \$1.187 billion for P.L. 480 programs, while the Senate-passed measure provided \$1.230, the amount adopted by the conference.

³ See CRS Report RL32919, *Foreign Operations (House)/Foreign Operations and Related Programs (Senate): FY2006 Appropriations*, by Larry Nowels and Susan B. Epstein, for a discussion of the disaster assistance and famine account.

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The President's budget contained a proposal to shift about \$300 million from P.L. 480 Title II to USAID's International Disaster and Famine Assistance account, which would be administered separately from Title II and used to purchase food for emergency relief in markets closer to their final destinations rather than in the United States as required under P.L. 480. This proposal proved controversial with farm groups, agribusinesses and the maritime industry who supply and ship commodities for Title II and with private voluntary organizations who rely on food aid to carry out development projects in poor countries. Both chambers rejected the President's cash-for-commodities food aid proposal. The conference report addresses the issue of converting a portion of P.L. 480 commodity food aid into cash by stating: "The conferees ... admonish the Executive Branch to refrain from proposals which place at risk a carefully balanced coalition of interests which have served the interests of international food assistance programs well for more than fifty years." During House committee deliberations, amendments offered by Representative Jesse Jackson Jr., to augment P.L. 480 Title II emergency food aid by \$393 million and \$78 million, respectively, were defeated.

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

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

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U.S. food aid programs are under discussion in the WTO Doha Round of multilateral trade negotiations. Negotiations could result in food aid programs being subject to more stringent regulations as WTO member countries have already agreed to eliminate food aid that displaces commercial sales.⁴ Furthermore, negotiators are examining the question of providing food aid fully in grant form as well as the role of international organizations vis-a-vis WTO member countries' bilateral food aid programs. U.S. negotiators have endorsed the concept that food aid should not displace commercial sales, but are aggressively defending U.S. bilateral, in-kind food aid programs as needed to enhance food security in poor, developing countries.

Export Credit Guarantees. CCC Export Credit Guarantee Programs guarantee payment of commercial financing of U.S. agricultural export sales. The President's budget estimates a program level for export credit guarantees of \$4.4 billion, none of which would receive a discretionary appropriation. Most guarantees — \$3.4 billion — are for commercial credits with short-term repayment terms (up to three years). Another \$1 billion would be guarantees for supplier credits where short-term financing is extended directly to importers for the purchase of U.S. agricultural products. The CCC repays commercial lenders when foreign borrowers default on loans. The conference report provides \$5.3 million to FAS and to the Farm Service Agency to administer the export credit guarantee programs.

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

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

⁴ See the discussion on food aid in the Doha Round in CRS Report RS21905, *Agriculture in the WTO Doha Round: The Framework Agreement and Next Steps*, by Charles E. Hanrahan.

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For export subsidy programs, the budget allocates \$28 million to the Export Enhancement Program (EEP) and \$52 million to the Dairy Export Incentive Program (DEIP). EEP has been little used in recent years and, in FY2005, EEP subsidies were zero. DEIP subsidies would exceed their FY2005 level by \$46 million. A preliminary agreement in the Doha Round calls for export subsidies like EEP and DEIP by a date certain, contingent upon eliminating the subsidy components of export credit guarantees and tighter disciplines on food aid to prevent it from circumventing export subsidy reduction commitments.⁵

The President's request also includes \$90 million for Trade Adjustment Assistance to Farmers, the maximum amount allowed in the authorizing statute, the 2002 Trade Act. Under this program, USDA makes payments to farmers when the current year's price of an agricultural commodity is less than 80 percent of the five-year national average and imports have contributed importantly to the decline in price.

Rescissions. In the FY2006 Defense Appropriations Act (Division B of P.L. 109-148), appropriators rescinded \$35 million of unobligated balances from the P.L. 480 Title I Ocean Freight Differential Grants program.

For additional information on USDA's international activities, see CRS Issue Brief IB98006, *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 performs research in support of USDA's action and regulatory agencies, and conducts long term, high risk, basic and applied research on subjects of national and regional importance. The Cooperative State Research, Education, and Extension Service (CSREES) is the agency through which USDA distributes federal funds to the land grant Colleges of Agriculture to provide partial support for state-level research, education and extension programs. The Economic Research Service (ERS) provides economic analysis of agriculture issues using its databases as well as data collected by the National Agricultural Statistics Service (NASS).

The USDA research, education, and extension budget, when adjusted for inflation, remained essentially flat in the period from FY1972 through FY1991. From FY1992 through FY2000, the mission area experienced a 25% increase (in deflated dollars) over the previous two decades. Annual increases have since moderated, and supplemental funds appropriated specifically for anti-terrorism activities, not basic programs, accounted for most of the 10% increase in FY2001.

⁵ See CRS Report RS21905, cited above, for a description of the WTO framework agreement on export subsidies, export credits, and food aid.

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Although the states are required to provide 100% matching funds for federal funds for research and extension, most states have regularly appropriated two to three times that amount. Fluctuations in state-level appropriations can have significant effects on state program levels, even when federal funding remains stable. Cuts at either the state or federal level can result in program cuts felt as far down as the county level.

In 1998 and 2002 legislation authorizing agricultural research programs, the House and Senate Agriculture Committees tapped sources of available funds from the mandatory side of USDA's budget and elsewhere (e.g., the U.S. Treasury) to find new money to boost the availability of competitive grants in the REE mission area. 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 do not translate into significant growth in spending for agricultural research. Agricultural scientists, stakeholders, and partners express concern for funding over the long term in light of high budget deficit levels and lower tax revenues.

P.L. 109-97 contains a total of \$2.67 billion for USDA's research, extension, and economics mission area for FY2006. This amount is higher than either the House or Senate versions of the bill, and essentially level with the FY2005 appropriation of \$2.65 billion.

Agricultural Research Service. P.L. 109-97 provides \$1.27 billion in total for ARS (\$1.29 billion in FY2005), an amount about \$143 million above the House provision and almost even with the Senate proposal. Of the \$1.27 billion, \$1.13 billion will support ARS's research programs, a \$33 million increase from FY2005. As in past years, the appropriators rejected the Administration's proposal to terminate a large number of earmarked ARS research projects.

The conference report provides \$131.2 million to support the modernization and construction of ARS laboratory facilities, which is a \$55 million reduction from FY2005. The appropriation will support 21 building projects as provided in the Senate-passed bill. The final version contains the full funding that the Administration proposed (\$58.8 million) for continued construction of the National Centers for Animal Health (formerly known as the National Animal Disease Center) in Ames, Iowa.

In the emergency supplemental that Congress passed as part of the FY2006 Defense appropriations act (Division B of P.L. 109-148), ARS is slated to receive \$9.2 million for making repairs to two laboratories in the hurricane-devastated area — the Southern Regional Research Center in New Orleans, and the Southern Horticultural Laboratory in Poplarville, Mississippi.

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Cooperative State Research, Education, and Extension Service.

P.L. 109-97 contains \$1.19 billion total in FY2006 for CSREES, compared to \$1.13 billion and \$1.17 billion in the House and Senate versions, respectively. The FY2005 appropriation was \$1.16 billion. Of the \$1.19 billion total, the conferees allocate \$676.8 million to support state-level research and academic programs (\$655.5 million in FY2005); \$455.9 million for Extension programs (\$445.6 million in FY2005); and \$55.8 million for integrated programs that have both research and extension components (\$55 million in FY2005).

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

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

H.Rept. 109-255 provides \$178.8 million to support cooperative state research under the Hatch Act; \$22.3 million for cooperative forestry research; \$37.6 million for research at the 1890 (historically black) land grant colleges of agriculture. These amounts represent level funding with FY2005 in all three areas. The conference agreement provides \$183 million for the NRI competitive grants program, a slight increase from FY2005, but below both the House and Senate bills (\$214.6 million and \$190 million, respectively). The conferees also provided approximately \$188 million — more than in either the House or Senate bills — for grants directed by Members to go to designated institutions for specific research projects (\$167.7

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million in FY2005). The conference agreement provides \$500,000 to implement the school loan repayment program of the National Veterinary Medical Services Act.

The conference agreement contains \$455.9 million for extension activities, of which \$275.7 million (level funding) is for Cooperative Extension education and outreach programs. Extension programs at the 1890 institutions are appropriated \$33.9 million, a slight increase from FY2005. Level funding is provided for improving extension facilities at the 1890 schools (\$16.8 million), and for research capacity building grants at the 1890 schools (\$12.3 million). The endowment fund for Native American post-secondary (1994) institutions is to receive \$12 million, as in previous years. In addition, the conference agreement provides \$3.27 million for extension programs at the 1994 institutions, and \$1.04 million for research at the tribal institutions. Conferees provided \$62.6 million for the Expanded Food and Nutrition Education (EFNEP) extension program.

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

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

Economic Research Service (ERS) and National Agricultural Statistics Service (NASS). H.Rept. 109-255 provides \$75.9 million for USDA's Economic Research Service, the same as the House version of H.R. 2744. This represents a \$1.76 million increase over FY2005. Report language allocates the increase to support a cooperative study with the National Academy of Sciences on the U.S. sheep industry (after instructing ERS to withdraw a report about the sheep industry that became controversial), and to continue building a comprehensive Consumer Data and Information System.

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The conference committee provides \$140.7 million for the National Agricultural Statistics Service, an amount \$12.3 million higher than FY2005 funding. As in past years, the conferees direct NASS to allocate \$29 million to continued work on the Census of Agriculture.

Meat and Poultry Inspection

USDA's Food Safety and Inspection Service (FSIS) conducts mandatory inspection of most livestock, poultry, and their products to insure their safety and proper labeling. P.L. 109-97 appropriates \$837.8 million for FSIS in FY2006, below the President's request for \$849.7 million for FSIS but \$20.1 million above the FY2005 enacted level of \$817.2 million. The Administration had proposed that new user fees cover \$139 million of its \$849.7 million FSIS request. However, the conference version does not endorse such fees.

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

Within the conference agreement's \$837.8 million for FSIS are increases of \$2.5 million to upgrade laboratory capabilities to evaluate a broader range of threat agents, \$1 million for related training, and \$417,000 for biosurveillance. Also within the total is an increase of \$2.2 million to enable FSIS to hire 22 additional Consumer Safety Inspectors to help free veterinary-trained inspectors for more critical food safety responsibilities, as proposed by the Administration; \$2 million for baseline microbiological studies of raw meats and poultry, targeting the prevalence of pathogens and microorganisms as indicators of process control; and \$4 million for FSIS to complete incorporation of the Humane Activities Tracking system into all U.S. slaughter plants. The Senate committee report states that its appropriation provides the requested amount to maintain the 63 positions related to enforcement of the Humane Methods of Slaughter Act. The conference agreement designates, within the FSIS total, \$20.7 million for regulatory and scientific training.

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“Downer” Amendment. P.L. 109-97 does not include a Senate-approved amendment, sponsored by Senator Akaka during floor consideration of H.R. 2744, to prohibit nonambulatory livestock (also called “downers”) from being used for human food. The House bill also lacked such a ban. The Akaka amendment would have applied not only to cattle, but also to any sheep, swine, goats, horses, mules, or other equines unable to stand or walk unassisted at inspection.

Supporters of the Senate amendment have argued that downer animals pose numerous food safety hazards, including bovine spongiform encephalopathy (BSE or “mad cow disease”) and its human variant, and microbial hazards such as Salmonella. Opponents of the ban have expressed concern about the integrity of BSE surveillance if these animals are no longer brought to slaughter, and have questioned the scientific basis of the ban, in light of its economic impacts. Some within the industry have further argued that USDA’s downer ban should distinguish between animals that cannot walk because of BSE or another potentially dangerous disease, and those that are essentially lame (and, presumably, safe for use as food).

In their accompanying report, conferees direct the Secretary of Agriculture to “notify and closely confer with” Congress before taking “any actions that would weaken” the existing safeguard, i.e., the USDA regulatory prohibition on the slaughter for human food of nonambulatory cattle only. They also encourage the Secretary to initiate an Advance Notice of Proposed Rulemaking on the subject.

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

Horse Slaughter Amendment. Conferees retained a provision in both the House and Senate-passed versions which prohibits the use of funds to pay for the inspection of horses destined for human food. The prohibition had been added during floor consideration: in the House on June 8, 2005, by a 269 to 158 vote to pass the Sweeney amendment, and in the Senate on September 20, 2005, by a 69 to 28 vote to pass the Ensign amendment. Conferees added language to the provision delaying the effective date until 120 days following enactment.

Last year, two foreign-owned plants in Texas and one in Illinois slaughtered a total of approximately 66,000 horses for human food. The meat is exported primarily to parts of Europe and Japan. Because the Federal Meat Inspection Act requires FSIS inspection of equines (like other designated livestock species) before their meat may enter into commerce, the presumption was that these three plants could no longer process them for human food (effective 120 days after the bill is signed into law). It might be possible, however, for the plants to continue to slaughter horses for food if other funds could be found for inspection.

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The final House-Senate report states: “It is the understanding of the conferees that the Department is obliged under existing statutes to provide for the inspection of meat intended for human consumption (domestic and exported). The conferees recognize that the funding limitation in Section 794 prohibits the use of appropriations only for payment of salaries or expenses of personnel to inspect horses.” Those interested in the horse slaughter provision are now studying this additional conference language to determine whether it provides a way for horse slaughter to continue under some other arrangement, such as voluntary FSIS inspection. (Voluntary inspection is now conducted for some species, like bison, under authority of the Agricultural Marketing Act of 1946, with funding through industry user fees rather than through FSIS appropriations).

Another provision in P.L. 109-97, Section 798, amends the Meat Inspection Act to alter the definition of livestock which are required to undergo mandatory inspection if destined for human food — from “cattle, sheep, swine, goats, horses, mules, and other equines” to “amenable species.” The section then defines “amenable species” to mean:

- (1) “those species subject to the provisions of the [Meat Inspection] Act on the day before the date of enactment” of the 2006 appropriation. One of those species is horses;
- (2) “any additional species of livestock that the Secretary considers appropriate.”

For more information, see CRS Report RS21842, *Horse Slaughter Prevention Bills and Issues*, by Geoffrey S. Becker.

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. P.L. 109-97 provides a total of \$820.5 million for APHIS in FY2006, below the Administration’s FY2006 request of \$860.2 million, and above the FY2005 enacted level of \$813 million.

The conference report (like the House and Senate committee reports) contains relatively prescriptive language on how the agency must spend much of its appropriation. In some instances, spending is specified for programs, projects or activities that the Administration had already intended to fund; in other instances, the report language directs that different amounts be spent than the Administration requested. Among many examples of such earmarks, conferees provided \$39 million for boll weevil management, whereas the Administration had requested \$14.3 million in FY2006. Johne’s disease received \$13.2 million versus the Administration’s request of \$3.2 million. For chronic wasting disease (CWD), the conferees directed the expenditure of \$18.7 million (which includes earmarks for specific states),

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compared with the Administration request of \$16.9 million; in addition, USDA is directed to publish regulations relating to CWD control.

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

In their report, conferees said they expect the Secretary to continue to use his authority (under the Plant Protection Act, 7 U.S.C. 7772) to transfer funds from the Commodity Credit Corporation (CCC) to assist the states in eradicating plant and animal pests and diseases which threaten agriculture. Although transfers from the CCC to APHIS to deal with pests and diseases have been common, particularly in recent fiscal years, the Office of Management and Budget (OMB) reportedly has shown increasing reluctance to approve them. The Senate Appropriations Committee report also encourages the Secretary to continue using CCC funds to respond to plant and animal health threats, including the payment of compensation to certain producers for related losses when necessary. (See CRS Report RL32504, *Funding Plant and Animal Health Emergencies: Transfers from the Commodity Credit Corporation*, by Jim Monke and Geoffrey S. Becker.)

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

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

According to the conference report, \$17.2 million is being provided for APHIS's BSE activities (primarily testing and surveillance), the full amount requested. The agency had said it expected to test 40,000 animals for BSE during FY2006. This appears to be the number to be tested once the special 12-18-month BSE surveillance program, launched in June 2004, is concluded. APHIS has tested more than 500,000 cattle (through October 2005) under this special program, which was expected to conclude soon. Other agencies within the Department are earmarking additional

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funds for BSE-related research, such as on improved diagnostic tests for prions in animal tissue and feeds; on transmissibility of prions among livestock and wildlife species; on differentiating BSE strains; and on determination of the pathobiology of disease infection.

The final version also designates approximately \$33 million of the APHIS appropriation for the agency's continued development of a National Animal Identification System (NAIS), as requested. Shortly after the BSE-positive cow in the United States was discovered in December 2003 in Washington state, USDA promised to accelerate work on such a national system, so that in case of an animal disease outbreak of any type, suspect animals' whereabouts could be traced within 48 hours. USDA since 2004 has been funding a variety of state and tribal agencies to conduct pilot projects and data in preparation for a national system. Report language accompanying the final measure directs some animal ID money to specific projects such as the Farm Animal Identification and Records program, among others.

Some animal industry leaders have expressed concern about what they regard as the slow pace of implementation of a USDA-coordinated program; an initiative led by the National Cattlemen's Beef Association is now attempting to establish a privately-run animal database which USDA could tap for disease purposes. However, the industry remains divided over this approach, and over such issues as who should pay for a program, and confidentiality and privacy protection matters. (See CRS Report RL32012, *Animal Identification and Meat Traceability*, by Geoffrey S. Becker.)

Other non-USDA agencies also have BSE-related responsibilities. For example, the Food and Drug Administration (FDA) at the Department of Health and Human Services (HHS) regulates the safety of all human foods other than meat and poultry, human drugs, and animal feed ingredients. The conference measure provides, within the total available for FDA, the nearly \$30 million requested by the Administration for the agency's BSE activities in FY2006, and the same level as in FY2005. Most of the funding is for enforcement of FDA's animal feeding restrictions (imposed in 1997 to ensure that potentially BSE-infective materials are not introduced). FDA currently is considering whether to tighten further the existing feed restrictions; it also wants to use FY2006 funds to continue to identify risky materials and to conduct research to decontaminate and deactivate BSE prions. (See CRS Issue Brief IB10127, *Bovine Spongiform Encephalopathy (Mad Cow Disease): Agricultural Issues for Congress*, by Geoffrey S. Becker.)

U.S.-Japan Beef Trade Issue. Dropped by conferees was an amendment, adopted 72 to 26 by the Senate on September 20, 2005, to bar USDA implementation of a proposed rule enabling Japan to export beef to the United States, unless Japan has opened its own markets for U.S. beef and beef products. USDA has banned the importation of Japanese beef since September 2001 when the first of approximately 20 native cases of BSE was reported there. USDA published the proposed rule on

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August 16, 2005. However, the Japanese have not yet implemented their own policy changes to permit U.S. beef imports.

Conferees replaced the Senate amendment with report language strongly urging the Secretary to continue ongoing negotiations to reopen the Japanese market, and reserving “the right to impose restrictions similar to those suggested by the Senate if there is not a swift resolution of this issue.” The Senate amendment reflected the increasing frustration of many lawmakers who believe that Japan has not lived up to its obligations, spelled out in an October 2004 framework agreement, for resuming normal beef trade between the two countries. Recent bills (S. 1922; H.R. 4179) would require the Administration to impose \$3.14 billion in punitive tariffs on Japanese imports if the market is not open by December 15, 2005. Before the U.S. BSE case brought trade to a virtual halt, Japan was the most important foreign market for U.S. beef, accounting for 37% of total beef exports valued by USDA at \$3.1 billion in 2003. (See CRS Report RS21709, *Mad Cow Disease and U.S. Beef Trade*, by Charles E. Hanrahan and Geoffrey S. Becker.)

Avian Influenza. For FY2006, the regular appropriation to APHIS for its low pathogenicity avian flu program is \$13.8 million. This is less than the \$22.8 million in the House bill but more than the \$11.8 million in the Senate bill. The Senate report notes that \$12 million remains available from prior-year funds to indemnify farmers in the event of an outbreak. The conference agreement (H.Rept. 109-255) repeats this sentiment, stating that \$28.3 million is available, including carryover, with about \$12 million for indemnities. Unused funds for avian flu may be carried forward to future fiscal years under a special directive (Section 704 of P.L. 109-97).

In addition to the regular appropriation, Congress appropriated USDA \$91.4 million in emergency supplemental funds for avian flu as part of \$3.8 billion for pandemic influenza (Division B, Title II, of P.L. 109-148, the FY2006 Defense Appropriations Act). APHIS received \$71.5 million, the Office of the Secretary \$11.4 million, Agricultural Research Service \$7 million, and the Cooperative State Research and Education Service \$1.5 million. Among other things, funds will be used domestically for surveillance, diagnosis, and vaccine stockpiles; and internationally to provide technical assistance on surveillance, biosecurity, culling, vaccination, and control. For more on avian flu, see CRS Report RS21747, *Avian Influenza: Agricultural Issues*, by Jim Monke.

Agricultural Marketing Service (AMS). AMS is responsible for promoting the marketing and distribution of U.S. agricultural products in domestic and international markets. P.L. 109-97 provides a total of \$115.3 million for AMS programs, which includes \$79.2 million in direct budget authority, plus transfers totaling \$36.1 million from USDA’s Section 32 account, which AMS administers.^{6,7}

⁶ 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 (continued...))

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The Administration requested new spending of \$101.5 million for the agency in FY2006; the FY2005 enacted level was \$94.7 million.

Within the AMS total, the Administration requested and the House approved \$3.8 million for payments for state marketing activities, close to the FY2005 enacted level of \$3.8 million. Of this, \$2.5 million is earmarked for continuing a specialty markets grant made in FY2005 to the Wisconsin Department of Agriculture.

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

The conference agreement does not recommend the Administration's proposed plan for new AMS user fees, to replace nearly \$3 million in appropriated funding for the development of commodity grade standards. The Administration has argued that users of commodity grading, who already pay user fees for such services, should also be charged for the development of the grades themselves, because they are the direct beneficiaries. However, the committee said it will consider such fees if they achieve authorization. New fees would be in addition to the estimated \$204 million in existing user fees paid by industry for various AMS activities, which are not included in the above AMS budget authority totals.

Country-of-Origin Labeling (COOL). P.L. 109-97 postpones for an additional two years — until September 30, 2008 — a requirement that retailers provide country of origin labeling (COOL) for raw cuts of ground beef, lamb, and pork; fresh fruits and vegetables; and peanuts. (Mandatory COOL is already in effect for seafood.) The conference agreement thus expands a provision that was in the House-passed version of H.R. 2744 that would have prohibited the use of FY2006 funds to implement COOL for meat and meat products only.

Under the 2002 farm bill, mandatory COOL initially was slated to take effect on September 30, 2004. Congress is expected to consider another omnibus farm bill in 2007. Pending in the House and Senate Agriculture Committees are bills (H.R.

⁶ (...continued)

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.

⁷ \$20 million of the \$36.1 million is for the first phase of a web-based supply chain management system to be used in AMS commodity purchasing.

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2068/S. 1333) proposing to replace the mandatory program for meats with a voluntary program. (See CRS Report 97-508, *Country of Origin Labeling for Foods*, by Geoffrey S. Becker.)

National Organic Program. The Organic Foods Production Act (OFPA) of 1990 required USDA to develop national standards for organically produced agricultural products. Consequently, AMS promulgated final regulations in 2000 adopting such standards and requiring that agricultural products labeled as organic meet them. On September 21, 2005, during floor debate on its version of the agriculture appropriations bill, the Senate approved by voice vote an amendment directing USDA to evaluate any impacts of a recent court decision on the National Organic Program (the House version contained no similar provision). The federal court decision (June 2005) essentially called on USDA to tighten its rules in order to prohibit use of the official organic label on products containing synthetic substances, and also to require organic dairy herds to use 100% organic feed.⁸ In addition to assessing the overall impact of the court decision, the USDA evaluation is to determine whether restoring the National Organic Program as it was before the court decision “would adversely affect organic farmers, organic food processors, and consumers”; analyze issues on the use of synthetic ingredients in processing and handling; analyze the utility of expedited petitions for commercially unavailable organic agricultural commodities and products; and consider the use of crops and forage from land included in the land of dairy farms in their third year of organic management.

H.Rept. 109-255 contains the above provision, and also a provision that amends the Organic Foods Production Act essentially to accomplish the restoration of the National Organic Program as it was before the court decision. In addition, it authorizes in the OFPA the new, expedited petition system that the USDA study is asked to evaluate. Section 797 of P.L. 109-97 changes OFPA language to: (1) permit synthetic substances to constitute up to 5% of a “USDA Organic”-labeled product as long as the substances are in the “approved” category on the National List of approved and prohibited substances; (2) authorize USDA to establish an expedited procedure for approving agriculturally produced products that may be used in processing but that are not available commercially in organically-produced form; and (3) permit feed and forage from cropland in transition to organic production to be fed to dairy cattle, and dairy products from that herd to be marketed as organic. Both amendments are indicative of a split that has grown within the organic community since the court decision. Some stakeholders in the organic industry have been pleased that the court decision mandated new regulations that would uphold a “purer” standard for organics, while others have maintained that changes to the standards as currently written could confuse consumers, reduce the availability of organic foods, and economically harm producers and processors.

⁸ *Harvey v. Veneman*, 396 F.3d 28 (1st Cir. Me. 2005).

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Grain Inspection, Packers, and Stockyards Administration (GIPSA).

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

The conference version provides \$38.4 million for GIPSA in FY2006, higher than the approximately \$37 million appropriated for FY2005. The Administration had proposed \$40.4 million, but new user fees would have covered an estimated \$24.7 million of the total. Neither the House nor Senate supported the Administration's user fee proposal. USDA said in its budget materials that new legislation was being proposed to permit collection of fees for grain standardization and Packers and Stockyards licensing activities.

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

Rural Development

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

P.L. 109-97 provides \$2.528 billion for discretionary rural development programs in USDA. This is \$114.6 million more than enacted for FY2005, \$57.4 million more than the House bill, and \$6.1 million less than the Senate bill. The appropriation will support \$11.757 billion in direct and guaranteed loans (\$1.408 billion more than FY2005, and \$3.183 billion more than requested), as well as numerous grant and technical assistance programs, and salaries and expenses.

As was the case in FY2005, the conference report also supports both House and Senate measures in recommending the cancellation of mandatory funding for various rural development programs authorized in the 2002 farm bill (see **Table 6**). Several of these programs, however, are recommended for funding through discretionary appropriations, although at lesser amounts than the mandatory authorization.

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Table 6. Reductions in Mandatory Rural Development Programs
(\$ million)

Program (\$ in 2002 Farm Bill)	FY2005 Allowed Level	FY2006 Authorized Level under 2002 Farm Bill	FY2006 Conference Report on H.R. 2744	Difference from Authorized Level
Rural Access to Broadband (\$6103)	0	80	0	-80
Rural Business Investment Program (\$6029)	11	100	11	-89
Rural Strategic Investment Program (\$6030)	0	100	0	-100
Rural Firefighters (\$6405)	0	40	0	-40
Bioenergy Program (\$9010)	36	150	60	-90
Biomass R&D (\$9008)	14	14	12	-2
Value-added Product Market Development Grants (\$6401)	Mandatory			-120
	0	120	0	
Renewable Energy Systems (\$9006)	Discretionary*			-23
	15.5*	n/a	20.5*	
Renewable Energy Systems (\$9006)	Mandatory			-23
	0	23	0	
Renewable Energy Systems (\$9006)	Discretionary*			-23
	23*	n/a	23*	
Total Reductions in Mandatory Rural Development Programs (included in scorekeeping adjustments)				-544

Source: Congressional Budget Office

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

Rural Community Advancement Program (RCAP). RCAP, authorized by the 1996 farm bill (P.L.104-127), consolidates funding for 12 rural development loan and grant programs into three funding streams. The conference report recommends \$701.9 million for RCAP, \$8.4 million less than enacted for FY2005 and \$180.2 more than requested. The conferees recommend \$44.5 million more than the House bill and \$3.2 million less than the Senate measure. The conference report recommends \$530.1 million for the rural utilities account, \$82.6 million for the community facilities account, and \$89.2 for the business development account.

As in past years, the conferees make directed spending recommendations within the RCAP accounts (see **Table 7**).

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Table 7. Directed Spending in the Rural Community Advancement Program (RCAP) Accounts
(\$ million)

Program	FY2005 Enacted	FY2006 Admin. Request	FY2006 Conference
Water and waste disposal loans and grants for Native Americans	25.0	9.0	25.0
Water and waste disposal loans and grants for <i>Colonias</i>	25.0	11.8	25.0
Economic Impact Initiative Grants	20.7	0	18.0
Rural Community Development Initiative Grants	6.3	0	6.3
High Energy Costs Grants	27.7	0	26.0
Water and waste disposal loans and grants to Alaska Native Communities	26.0	11.8	25.0
Water and waste water technical assistance	18.2	16.2	18.2
Circuit Rider Program	13.5	9.5	13.7
Rural Business Enterprise Grants	40.0	0*	40.0
Rural Business Opportunity Grants	3.0	0*	3.0
Business and Industry Guaranteed Loans (subsidies)	29.4	44.2	44.2
Empower Zones/Enterprise Communities and REAP	22.2	13.4*	21.4
Delta Regional Authority	1.0	0	2.0

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

The level of this recommended directed funding from the various RCAP accounts is not significantly different from similar recommendations enacted for FY2005. Conferees, however, do recommend \$1-2 million dollar increases or decrease in several programs over House or Senate recommendations. While neither House nor Senate bill recommends appropriations for the Empowerment Zones/Enterprise Communities program, the conference report recommends \$21.4 million for the program.

Rural Business-Cooperative Service. For FY2006, the conference report recommends an appropriation of \$88.2 million for RBS loan subsidies and grants, approximately \$4.5 million more than the enacted for FY2005. The loan authorization level is the same as the House and Senate measures and the same as requested by the Administration.

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The conference report also supports House and Senate bills and the Administration's request to prohibit the use of authorized mandatory funds for the \$40.0 million Value-Added Agricultural Product Development grants in FY2006, as in FY2005 (**Table 6**). The conference report recommends \$20.5 million in discretionary funding for the program, an increase of \$5.0 million over the amount enacted in FY2005. As in FY2005, the conference report also recommends prohibiting the use of the \$23.0 million in authorized mandatory funds for the Renewable Energy Grants program, and requests \$23.0 million in discretionary funds instead. This is the same as enacted for FY2005 and \$13.0 million more than requested. Consistent with the Administration's request and House and Senate bills, the conference report also recommends that \$100.0 million for the Rural Strategic Investment Fund be cancelled for FY2006.

For the communities in the second and third rounds of the Empowerment Zone/Enterprise Community Program, the conferees recommend \$11.2 million, \$1.2 million less than enacted for FY2005.

Rural Utilities Service (RUS). The conference report recommends budget authority of \$97.8 million for RUS, \$4.4 million less than enacted for FY2005. The measure would support an estimated FY2006 loan level of \$6.619 billion, about \$1.0 billion more than enacted for FY2005.⁹ Consistent with both the Senate and House measures, the conferees recommend \$6.2 million in loan subsidies for the rural electrification program, \$1.1 million more than enacted for FY2005. This would support a loan authorization level of \$6.094 billion, over \$1.2 billion more than enacted for FY2005. For telecommunications loans, the conference report recommends a loan authorization level of \$694.0 million, \$176.0 more than FY2005.

As with both House and Senate bills, the conference report also recommends cancelling \$20.0 million in mandatory funding for the Enhancement of Access to Broadband Service authorized in the 2002 farm bill. For the broadband loan program, the conferees recommend \$10.7 million in subsidies, about the same as the House and Senate measures and the amount enacted for FY2005. The conference report's recommended loan subsidy level supports a program level of \$500.0 million, about \$45.0 million less than enacted for FY2005. The conferees also recommend \$9.0 million for broadband grants, approximately the same as for FY2005. The Administration requested no funding for the grants program. For the distance learning and telemedicine grant program, the conference report recommends \$30.0 million, nearly the same as enacted for FY2005. The House measure also recommends \$25.0 million in direct loan authorization for the telemedicine and distance learning program, half the amount enacted for FY2005. The Administration requested no loan authorization for the program for FY2006.

⁹ These figures do not include water and waste water loans and grants also administered by RUS. Water and waste disposal loans and grant are included under the RCAP appropriation.

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Rural Housing Service. To support a total of \$5.078 billion in rural housing loan authority, the conference report recommends an FY2006 appropriation of \$1.475 billion, approximately \$105.0 million more than enacted for FY2005 and \$151.7 less than requested by the Administration. Total recommended loan authorization in the conference report is \$395.1 million more than enacted for FY2005.

The conferees recommend \$1.140 billion in direct loan authorization for the Section 502 single family housing program and \$3.681 billion for guaranteed loans, supported by a total requested appropriation of \$170.8 million. The loan authorization level for direct loans is the same as enacted for FY2005 but \$398.2 million more for the guaranteed loans than enacted for FY2005. Total budget authority to support these loan levels is about \$5.0 million more than enacted for FY2005. For Section 515 rental housing loan subsidies, the conferees recommend \$45.8 million, approximately \$1.0 million less than enacted for FY2005. For Section 504 housing repair grants, the Senate and House bills recommend approximately \$10.0 million, nearly the same as enacted for FY2005 and as requested. Rental assistance payments for Section 521 housing would increase to \$645.1 million, approximately \$64.0 million more than enacted for FY2005. For rental assistance grants, the conferees recommend \$44.0 million, about the same as for FY2005. The conference report recommends budget authority of \$31.2 million for farm labor housing loan subsidies (Section 514) and farm housing grants (Section 516), a \$2.6 million reduction over FY2005.

Supplemental Appropriations and Rescissions. In the FY2006 Defense Appropriations Act (Division B of P.L.109-148), appropriators provided supplemental funding for hurricane recovery to several Rural Development programs. \$45 million was provided for water and waste water disposal grants under the Rural Community Advancement Program utilities account. Appropriators also provided emergency funds for several Rural Housing Service accounts: \$45 million for the Rural Housing Insurance Fund for Section 502 housing loans and \$20 million for low-income rural housing assistance grants. In addition, \$8 million was provided for subsidies for loan modifications to guaranteed rural electrification and telecommunication loans.

Appropriators rescinded \$9.9 million for distance learning, telemedicine, and broadband direct loan subsidies. The President had requested an additional rescission of \$30.3 million from communities with high energy costs, but appropriators did not grant that rescission.

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 the majority of USDA's budget (about 55-60%). For FY2006, P.L. 109-97 establishes a total of \$58.95 billion and

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generally conforms to the total Administration request for \$58.96 billion. However, it appropriates the money in a manner that is different than originally proposed by the Administration. Because of new estimates of need from the Administration, funding for the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program) is appropriated *less* than originally requested and child nutrition programs are appropriated *more*.

The FY2006 *appropriation* (new budget authority) for domestic food aid programs administered through the USDA represents \$6.5 billion increase over the FY2005 amount (\$52.488 billion).¹⁰ However, the USDA estimates that actual *spending* (obligations) will increase to a lesser degree — about \$4.6 billion, from \$52.1 billion in FY2005 to \$56.7 billion in FY2006.¹¹ The net difference between the appropriation and spending amounts is accounted for by additional “contingency” appropriations (e.g., \$3 billion for food stamps), offset by spending financed from money available from prior fiscal years and other USDA accounts (e.g., permanent appropriations and commodity purchases).

The domestic food aid budget request generally is derived from Administration projections of program caseloads and inflation-indexed benefit levels; most are “entitlement,” not “discretionary,” programs. The FY2006 appropriation effectively provides “full funding” (or very close to full funding) for all of USDA’s domestic food assistance programs.

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) commodities and administrative expense aid through the Food Distribution Program on Indian Reservations (FDPIR), an alternative to food stamps for living on or near Indian reservations, (4) small nutrition assistance grant programs in American Samoa and the Commonwealth of Northern Mariana Islands, (5) commodities for The Emergency Food Assistance Program (TEFAP), and (6) the Community Food Project.

¹⁰ Not included in these figures are permanent appropriations, the value of commodities required to be purchased (under “Section 32” authority) for child nutrition programs, and the value of “bonus” commodities acquired for agriculture support reasons and donated to various food assistance programs. These items are recognized in, but generally not included as part of, the regular appropriations process; they totaled to \$901 million in FY2005 and are expected to add up to \$918 million in FY2006.

¹¹ Not included in these spending totals are purchases and distributions of “bonus” commodities acquired for farm-support reasons, obligations made to replenish the contingency fund for the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program), and spending on food stamp benefits made from funds provided by states. These items total to over \$500 million in FY2005 and FY2006.

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For Food Stamp Act programs, the FY2006 appropriations law provides an *appropriation* of \$40.711 billion for FY2006. An increase of \$5.5 billion over the FY2005 figure of \$35.155 billion. This includes \$3 billion for a “contingency reserve” in case estimates of need prove too low. The final FY2006 appropriation total matches the amounts requested by the Administration and approved by the House and Senate. Moreover, in adopting the Administration-requested appropriation, the conference agreement effectively adopts the Administration’s spending projections, which indicate how the overall appropriation will be spent among the activities it covers — with one exception (the FDPIR).

Under the FY2006 appropriation, total Food Stamp Act *spending* is expected to be \$37.739 billion in FY2006, an increase of just over \$3.5 billion above the FY2005 level. Spending for the regular Food Stamp program is expected to rise by \$3.5 billion, to \$36 billion in FY2006. Puerto Rico’s nutrition assistance grant will go to \$1.516 billion, up \$21 million from FY2005. Costs for the American Samoa and Northern Mariana Islands programs are effectively unchanged (at \$14 million in total). And the FY2006 budgeted amounts for TEFAP commodities and the Community Food Project are the same as for FY2005 — \$140 million and \$5 million respectively.¹²

On the other hand, new funding for the FDPIR is set to *decline* from \$82 to \$79 million, even with the inclusion of \$3 million for continuing a special bison meat purchase project.¹³ The Administration and the House had proposed ending this project (\$4 million in FY2005).

Child Nutrition Programs. Child nutrition programs would be *appropriated* \$12.661 billion for FY2006 under P.L. 109-97, up \$879 million from \$11.782 billion in FY2005. These activities include the School Lunch and Breakfast programs, the Child and Adult Care Food program, the Summer Food Service program, after-school and outside-of-school nutrition programs, the Special Milk program, some food commodities required to be bought for schools and other providers, assistance to states with their child-nutrition-related administrative costs, and nutrition education (e.g., “Team Nutrition”), food safety, and program integrity initiatives.

Overall *spending* for child nutrition under the FY2006 appropriation — including significant funding sources other than regular appropriations, such as the

¹² An additional \$50 million a year for TEFAP distribution/administrative costs is available from the Commodity Assistance budget account (the same as FY2005), and P.L. 109-97 would allow up to \$10 million of the \$140 million appropriated for TEFAP commodities to be used for state/local distribution/administrative expenses connected with the program.

¹³ Under P.L. 109-97, FY2006 money for the FDPIR is scheduled for a small decrease because money for bison meat purchases was cut back slightly and a commodity inventory carryover is available from FY2005 that can be used for the FY2006 program. Actual total resources available to the program (commodity inventory plus new appropriations) are expected to be essentially unchanged when compared with FY2005.

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value of commodities purchased from different USDA budget accounts, permanent appropriations, and carryover funds from FY2005 — is anticipated to total some \$13.15 billion, up by about \$790 million from FY2005.

The FY2006 appropriations law provides approximately \$245 million more than requested by the Administration, or approved by either than House or Senate in their respective FY2006 appropriations measures; the majority of the increase is slotted to be available for costs related to the School Lunch and Breakfast programs. It also includes funding for a number of new or expanded child nutrition program initiatives (see *Special Program Initiatives*, below). This increase was made to conform to new estimates of need by the Administration.

The WIC Program. The Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program) would have received an FY2006 appropriation of \$5.510 billion under the Administration’s original budget request, a \$275 million increase over FY2005. However, as noted in the House and Senate reports on the FY2006 appropriation, the Administration revised its projection of WIC participation and food costs downward. As a result, the conference agreement (as with the House and Senate bills) appropriates \$5.257 billion, a \$22 million increase from FY2005. It also (1) includes money to replenish a \$125 million “contingency reserve” (to be used in case cost/need projections are too low), (2) contemplates carrying a small amount of unused funding into FY2007, (3) rescinds \$32 million in unobligated carryover funds from FY2005, (4) earmarks \$15 million for continuing breastfeeding support initiatives, (5) earmarks up to \$20 million for state management information systems; and (6) earmarks \$14 million for WIC infrastructure projects.

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

The FY2006 law includes a total *appropriation* of \$179 million for this account, up only slightly from the \$177 million available in FY2005 and the \$178 million proposed by the Administration. Under this budget account, the actual *spending* level for FY2006 is anticipated to total just over \$195 million (incorporating funding supported by other budget accounts). This is roughly the same spending level as FY2005 and includes \$108 million for the CSFP,¹⁴ \$50 million for TEFAP

¹⁴ Total support for the CSFP (including funds and commodities carried over from FY2005)
(continued...)

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distribution/administrative costs, \$35 million for the two farmers market nutrition programs (\$20 million for the WIC component and \$15 million for the seniors component), and \$4 million for other food donation activities.

Nutrition Program Administration. This budget account covers money for federal administrative expenses related to domestic food assistance programs and special projects. As requested by the Administration, the conference agreement provides for an FY2006 appropriation of \$141 million, up \$1.9 million from FY2005.

In addition, this account includes money for the Congressional Hunger Center; \$2.5 million was appropriated for FY2005. The Administration's FY2006 budget did not request funding for the center. However, in Title VII of P.L. 109-97, \$2.5 million is appropriated.

Special Program Initiatives. P.L. 109-97 contains six special provisions affecting spending and program policies in the Food Stamp program, child nutrition programs, and the WIC program. It includes provisions that (1) continue current food stamp rules that do not count special military pay for the families of those deployed to combat zones when judging eligibility and benefits, (2) continue to allow the reallocation of unused audit funds in the Child and Adult Care Food program, (3) make federal money supporting development of local school "wellness" policies available in October 2005 (rather July 2006), (4) make seven more states eligible for so-called "Lugar" status in the Summer Food Service program (allowing reduced documentation requirements for summer project sponsors), (5) provide \$6 million to expand the program providing fruits and vegetables in selected schools to five additional states, and (6) continue a rule barring approval of any new retailers under the WIC program whose major source of revenue is derived solely from the WIC program (so-called "WIC-only stores").

A number of other proposals included in the Administration's budget, or considered under the House or Senate bills, are *not* included: (1) ending eligibility for some households that do not meet regular food stamp tests but receive other public assistance, (2) authorizing state agencies to access the National Database of New Hires to help verify food stamp eligibility, (3) capping the proportion of state WIC grants that can be spent on nutrition services and administration at 25%, (4) imposing an income limit (250% of the federal poverty guidelines) on those who can get WIC services/benefits automatically because of their enrollment in the Medicaid program, (5) appropriating special funding for a WIC performance measurement project and an assessment of the Child and Adult Care Food program, (6) providing additional money for child nutrition education activities through "Team Nutrition," (7) barring federal cost-sharing for state food stamp administrative costs where states

¹⁴ (...continued)

is projected to rise by \$2 million to \$114 million in FY2006. However, despite this increase, the FY2006 CSFP budget effectively dictates a significant caseload reduction of at least 45,000 persons because of rising food and administrative costs.

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“contract out” substantial shares of their administrative responsibilities, and (8) providing funding for demonstration projects under which *all* children in participating schools would receive free meals.

Supplemental Appropriations and Rescissions. Division B of P.L. 109-148, the FY2006 Department of Defense Appropriations Act, contains supplemental appropriations and rescissions that change the amounts available under the regular agriculture appropriations law cited above (P.L.109-97) and the terms under which these funds can be spent. It *adds* \$10 million to the Commodity Distribution account total for costs related to Hurricane Katrina (an additional \$6 million for TEFAP distribution/administrative costs and \$4 million for CSFP expenses), and *permits* the USDA to reallocate TEFAP support in recognition of the hurricanes of 2005. It also *rescinds* \$11.2 million in unused funding for food stamp employment and training programs.

Food and Drug Administration (FDA)

The Food and Drug Administration (FDA), an agency of the Department of Health and Human Services (HHS), is responsible for regulating the safety of foods, and the safety and effectiveness of drugs, biologics (e.g., vaccines), and medical devices. For FY2006, P.L. 109-97 provides a program level of \$1.871 billion, midway between the House and Senate recommendations, half a percent below the President’s request, and 3.9% above the level enacted for FY2005. These totals combine direct appropriations for salaries and expenses, direct appropriations for buildings and facilities, and authorized user fee collections (prescription drug user fee act, medical device user fee act, animal drug user fee act, mammography clinics user fee, and fees from export and color certification).

In FDA’s annual appropriation, Congress sets both the total amount of appropriated funds and the level of user fees to be collected that year. For appropriated funds for salaries and expenses, P.L. 109-97 provides \$1.482 billion, less than 1% above the House recommendation and less than 1% below the Senate recommendation and the President’s request. For user fees, the conference agreement includes \$381.8 million, the amount also proposed by the President, the House, and the Senate. User fees in three major programs that cover prescription drugs, medical devices, and animal drugs would account for \$357 million of the FY2006 total, with the remaining \$24.8 million coming from mammography clinics certification and export and color certification fees.

The conference agreement allows an \$8 million appropriation for the maintenance of buildings and facilities in FY2006, more than the President’s request and the House and Senate recommendations. The FY2005 appropriation, differing from earlier years’ appropriations, did not include maintenance funding. FDA, therefore, absorbed the FY2005 costs of maintaining its facilities within its program funds. The conference agreement prohibits the use of funds to close or relocate

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outside of St. Louis, Missouri, FDA's Division of Pharmaceutical Analysis. It also gives the Secretary of Health and Human Services authority to relinquish to the State of Arkansas all or part of the lands and properties of the National Center for Toxicological Research and the Arkansas Regional Laboratory.

Counterterrorism

The conference agreement provides a \$10 million increase over the FY2005 appropriation for FDA food safety and defense activities. Within that, it specifies \$5.1 million for food defense research, \$3.93 million for the Food Emergency Response Network (FERN), and \$500,000 each for food defense biosurveillance and improved and increased food import surveillance. (For more information, see CRS Report RL31853, *Food Safety Issues in the 109th Congress*, by Donna U. Vogt.) FDA also uses its counterterrorism funding, along with Project BioShield activities, to guide industry development of medical countermeasures, efficiently review those products for safety and effectiveness, and implement regulations covering FDA's new authority to issue "emergency use authorization" of an as-yet unapproved countermeasure when there is no adequate alternative product in a specific threat.

Food

The conference agreement includes \$443.2 million for the foods program of the Center for Food Safety and Applied Nutrition (CFSAN) and the center's field activities, less than both the House and Senate recommendations as well as the President's request. The conference agreement provides the \$29.6 million that the President requested for programs related to prevention of bovine spongiform encephalopathy (BSE), or "mad cow" disease. The conferees note that FDA will conduct yearly inspections of all renderers and feed mills, validate test methods for BSE-related proteins in feed, and continue research on transmissible spongiform encephalopathies in FDA's centers.

The conferees support the National Antibiotic Resistance Monitoring System (NARMS) as being critical to unbiased, accurate public health surveillance. They encourage FDA to contribute equal funding to each part of the program and want FDA to review all components of NARMS to ensure that the program remains scientifically sound and relevant to public health.

Both the House and the Senate direct FDA to continue supporting the National Center for Food Safety and Technology in Summit-Argo, Illinois, with \$3 million and continue support for the development of rapid test methods of fresh fruits and vegetable for microbiological pathogens at the New Mexico State University laboratories, to which it provides a \$200,000 increase. Both the House and the Senate want another report by February 1, 2006, that summarizes the results of the agency's nutrition facts label monitoring, the types of violations discovered, and the mitigating activities the agency took to address the violations. In addition, the

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conferees suggest that FDA review its program begun in 2004 in Los Angeles to address concerns about the regulation of imports of ethnic foods.

Seafood Safety. Seafood safety is again a priority for both the House and the Senate. The House and the Senate direct \$250,000 to continue support for the Interstate Shellfish Sanitation Commission (ISSC) to promote research and education about shellfish safety and *Vibrio vulnificus*. Both also expect FDA to require all states to conform to the National Shellfish Sanitation Program implemented by the ISSC and ask FDA to devote not less than \$200,000 to that work. The conferees are concerned about the antibiotic chloramphenicol in farm-raised shrimp imports, and recommend that, in cooperation with state programs, FDA continue testing imported shrimp at 0.3 parts per billion.

Dietary Supplements. The conference agreement provides \$5.36 million to the food center's Adverse Events Reporting System (CAERS), of which \$1.5 million is for dietary supplements. Also, to allow more FDA participation with the National Center for Natural Products Research in Oxford, Mississippi, conferees provide a \$300,000 increase for the review of botanicals in dietary supplements.

Prescription Drugs and Biologics

The conference agreement provides FDA's human drugs and biologics programs \$699.3 million. For drug safety activities, the conference agreement includes the \$5 million increase that the President requested plus an additional \$5 million that the House and Senate had recommended. The conferees direct FDA to use the funds on "the highest priority drug safety needs" and to provide, within 30 days of enactment, a detailed spending plan for these funds. The conference agreement includes the Senate provision of \$750,000 to support collaborative research (with the C-Path Institute and the University of Utah) on "cardiovascular biomarkers predictive of safety and clinical outcomes." (For further information see CRS Report RL32797, *Drug Safety and Effectiveness: Issues and Action Options After FDA Approval*, by Susan Thaul.)

The conference agreement requires that the generic drugs program's base funding not be less than \$56.2 million, following the House concern that its potential as a solution to high quality and affordable health care is not being met. Also stemming from a House-passed provision, the conference report notes that FDA may use available funds to handle new drug applications and supplements regarding abuse-resistant formulations of currently available drugs; it also notes its understanding that FDA can use its expedited, priority review process for these products. The conference agreement, in keeping with the President's request and the Senate report, provides "not less than \$4 million" for the Office of Women's Health. Noting a delay since 2002, the conferees direct FDA to complete a final monograph on over-the-counter sunscreen products, to include UVA and UVB labeling requirements, with six months. The conference agreement directs that \$14.7 million be available for grants and contracts awarded under the Orphan Drug Act. The

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House-passed increase of \$884,000 for the review of direct-to-consumer drug advertisements remains in the conference agreement. (For further information, see CRS Report RL32853, *Direct-to-Consumer Advertising of Prescription Drugs*, by Donna U. Vogt.)

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

Import monitoring and inspections have taken on a more prominent role as steadily increasing amounts of drug products are being imported under FDA's "personal use" import policy. Despite the House-passed amendment prohibiting FDA from using funds to enforce the current statute that bans importation of prescription drugs by parties other than drug companies, the conference agreement contains no reference to prescription drug importation. Up until the eve of the conference agreement completion, the issue was a potential deal-breaker because the White House had raised the possibility of a veto if the drug import provision remained in the final bill. (For more on this issue, see CRS Report RL32511, *Importing Prescription Drugs: Objectives, Options, and Outlook*, by Susan Thaul and Donna U. Vogt.)

Not only do the conferees provide the amount in the President's request for influenza-related activities, but they anticipate a supplemental request. They encourage the Administration to develop a comprehensive plan in preparation for and response to potential human transmission of avian influenza, including vaccine and treatment availability, and require regular updates.

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

The FY2006 Defense Appropriations Act (P.L. 109-148, H.R. 2863) contains a 1% rescission to all discretionary accounts in each regular FY2006 appropriations act. FY2006 appropriated levels cited in this report do not reflect the effect of this rescission.

Medical Devices and Other FDA Activities

The conference agreement includes \$245.8 million in budget authority for the medical and radiologic device program, including appropriations of \$222.8 million and user fees of \$23.0 million. It provides the National Center for Toxicological Research \$41.2 million in direct appropriations. The agreement specifies \$309.4 million (\$261.1 million in direct appropriations and \$48.4 million from user fees) for expenses and activities including rental payments to GSA, other rent and related activities, the White Oak Consolidation, and activities of the offices of the Commissioner, Management, External Relations, and Policy and Planning.

Administrative Issues

Regarding the FDA's budget submission to the Congress, the conference agreement directs FDA to return to the account-structure format it had used up until FY2005. It also directs FDA to provide, in its FY2007 submission, detailed justification for its research funding requests. The conferees' FY2007 budget submission directions extend also to HHS, with instructions to include the impact on FDA of anticipated department consolidations, and a requirement to include all sources of funding going to FDA, by agency, and with the reasons for that funding.

Supplemental Appropriations and Rescissions

In the FY2006 Defense Appropriations Act (Division B of P.L.109-148), appropriators provided emergency funds to address pandemic influenza. FDA received \$20 million, from which \$18 million is for the Center for Biologics Evaluation and Research and the Office of Regulatory Affairs. Appropriators directed that the funding should expedite the development, evaluation, and licensing of influenza vaccines, and ensure the safety and effectiveness of such vaccines.

Commodity Futures Trading Commission (CFTC)

The Commodity Futures Trading Commission (CFTC) is the independent regulatory agency charged with oversight of derivatives markets. The CFTC's functions include oversight of trading on the futures exchanges, registration and supervision of futures industry personnel, prevention of fraud and price manipulation, and investor protection. Although most futures trading is now related to financial variables (interest rates, currency prices, and stock indexes), Congressional oversight is vested in the Agricultural Committees because of the market's historical origins as an adjunct to agricultural trade.

For FY2006, P.L. 109-97 provides \$98.4 million for the CFTC, the same as in the House and Senate bills. This is an increase of \$4.8 million, or 5.1%, over FY2005. The Administration had requested \$99.4 million, an increase of \$5.8 million, or 6.2%, over FY2005.

The FY2006 Defense Appropriations Act (P.L. 109-148, H.R. 2863) contains a 1% rescission to all discretionary accounts in each regular FY2006 appropriations act. FY2006 appropriated levels cited in this report do not reflect the effect of this rescission.

**Table 8. USDA and Related Agencies Appropriations,
FY2006 Action vs. FY2005 Enacted**

(budget authority, in millions of \$)

Agency or Major Program	FY2005 Enacted ^a	FY2006 Admin. Request	FY2006 House Bill	FY2006 Senate Bill	FY2006 Enacted ^a
Title I: Agricultural Programs					
Agric. Research Service (ARS)	1,288.3	1,060.9	1,122.8	1,270.6	1,266.2
Coop. State Research Education and Extension Service (CSREES)	1,161.7	1,018.2	1,130.7	1,167.3	1,194.6
Economic Research Service (ERS)	74.2	80.7	75.9	78.5	75.9
National Agric. Statistics Service (NASS)	128.4	145.2	136.2	145.2	140.7
Animal and Plant Health Inspection Service (APHIS)	813.0	860.2	847.5	812.8	820.5
Agric. Marketing Service (AMS)	94.7	101.5	95.4	96.5	115.3
Grain Inspection , Packers and Stockyards Admin. (GIPSA)	37.0	15.7	38.4	38.4	38.4
Food Safety & Inspection Serv. (FSIS)	817.2	710.7	837.3	836.8	837.8
Farm Service Agency (FSA) - Total Salaries and Expenses	1,294.9	1,365.1	1,325.9	1,357.7	1,339.6
FSA Farm Loans - Subsidy Level	156.5	154.1	151.4	150.8	151.3
<i>*Farm Loan Authority</i>	<i>3,717.8</i>	<i>3,803.3</i>	<i>3,818.3</i>	<i>3,743.0</i>	<i>3,784.7</i>
Risk Management Agency (RMA) Salaries and Expenses	71.5	87.8	77.8	73.4	77.0
Federal Crop Insurance Corp. ^b	4,095.1	3,159.4	3,159.4	3,159.4	3,159.4
Commodity Credit Corp. (CCC) ^b	16,452.4	25,690.0	25,690.0	25,690.0	25,690.0
Other Agencies and Programs	556.5	632.0	507.2	573.6	562.9
Subtotal	27,041.5	35,081.5	35,196.0	35,451.2	35,469.6
Title II: Conservation Programs					
Conservation Operations	830.7	767.8	773.6	819.6	839.5
Watershed Surveys and Planning	7.0	5.1	7.0	5.1	6.1
Watershed & Flood Prevention	75.0	0.0	60.0	60.0	75.0
Watershed Rehabilitation Program	27.3	15.1	47.0	27.3	31.6
Resource Conservation & Development	51.2	25.6	51.4	51.2	51.3
NRCS Under Secretary	0.7	0.7	0.7	0.7	0.7
Subtotal	991.9	814.4	939.8	964.0	1,004.2

Agency or Major Program	FY2005 Enacted ^a	FY2006 Admin. Request	FY2006 House Bill	FY2006 Senate Bill	FY2006 Enacted ^a
Title III: Rural Development (RD)					
Rural Community Advancement Program (RCAP)	710.3	521.7	657.4	705.1	701.9
Salaries and Expenses	147.3	167.8	152.6	164.8	164.6
Rural Housing Service (RHS)	1,369.7	1,626.9	1,446.4	1,471.6	1,475.2
* <i>RHS Loan Authority</i>	4,683.3	4,965.6	5,079.3	4,927.6	5,078.4
Rural Business-Cooperative Service	83.7	57.4	121.4	86.8	88.2
* <i>RBCS Loan Authority</i>	58.7	59.2	59.2	59.2	59.2
Rural Utilities Service (RUS)	102.2	83.6	92.5	105.6	97.8
* <i>RUS Loan Authority</i>	5,606.0	3,548.9	5,507.9	6,745.0	6,619.0
RD Under Secretary	0.6	0.6	0.6	0.6	0.6
Subtotal	2,413.8	2,458.1	2,471.0	2,534.5	2,528.3
* <i>Subtotal, RD Loan Authority</i>	<i>10,348.0</i>	<i>8,573.7</i>	<i>10,646.4</i>	<i>11,731.8</i>	<i>11,756.6</i>
Title IV: Domestic Food Programs					
Child Nutrition Programs	11,782.0	12,416.0	12,412.0	12,422.0	12,660.8
WIC Program	5,235.0	5,510.0	5,257.0	5,257.0	5,257.0
Food Stamp Act Programs	35,154.6	40,711.4	40,711.4	40,711.4	40,711.4
Commodity Assistance Programs	177.4	177.9	178.8	179.9	179.4
Nutrition Programs Admin.	138.8	140.8	140.8	140.8	140.8
Office of Under Secretary	0.6	0.6	0.6	0.6	0.6
Subtotal	52,488.4	58,956.7	58,700.6	58,711.7	58,950.0
Title V: Foreign Assistance					
Foreign Agric. Service (FAS)	136.7	148.8	148.2	147.9	147.9
Public Law (P.L.) 480	1,293.0	965.4	1,187.5	1,230.4	1,230.4
McGovern- Dole International Food for Education	86.8	100.0	100.0	100.0	100.0
CCC Export Loan Salaries	4.4	5.3	5.3	5.3	5.3
Subtotal	1,520.9	1,219.4	1,441.0	1,483.5	1,483.5
Title VI: FDA & Related Agencies					
Food and Drug Administration	1,450.1	1,499.7	1,486.0	1,492.0	1,489.6
Commodity Futures Trading Commission (CFTC)	93.6	99.4	98.4	98.4	98.4
Subtotal	1,543.7	1,599.1	1,584.4	1,590.4	1,588.0
Title VII: General Provisions^c	(409.8)	3.6	(11.0)	(12.3)	(41.9)

Agency or Major Program	FY2005 Enacted ^a	FY2006 Admin. Request	FY2006 House Bill	FY2006 Senate Bill	FY2006 Enacted ^a
RECAPITULATION					
I: Agricultural Programs	27,041.5	35,081.5	35,196.0	35,451.2	35,469.6
Mandatory	20,563.4	28,865.5	28,865.5	28,865.5	28,865.5
Discretionary	6,478.1	6,216.0	6,330.4	6,585.7	6,604.1
II: Conservation Programs	991.9	814.4	939.8	964.0	1,004.2
III: Rural Development	2,413.8	2,458.1	2,471.0	2,534.5	2,528.3
IV: Domestic Food Programs	52,488.4	58,956.7	58,700.6	58,711.7	58,950.0
Mandatory	46,936.6	53,126.4	53,122.4	53,118.4	53,368.2
Discretionary	5,551.8	5,830.3	5,578.2	5,593.3	5,581.7
V: Foreign Assistance	1,520.9	1,219.4	1,441.0	1,483.5	1,483.5
VI: FDA & Related Agencies	1,543.7	1,599.1	1,584.4	1,590.4	1,588.0
VII: General Provisions	(409.8)	3.6	(11.0)	(12.3)	(41.9)
Total, Before Adjustments	85,590.4	100,133	100,322	100,723	100,982
Scorekeeping Adjustments ^d	(464.0)	(571.5)	(669.9)	(557.0)	(882.9)
Grand Total, After Scorekeeping Adjustments	85,126.4	99,561.4	99,651.7	100,166	100,099
Mandatory Programs	68,294.0	82,822.0	82,822.0	82,818.0	83,067.8
Discretionary Programs	16,832.5	16,739.4	16,829.8	17,348.0	17,031.1
Budget Allocation (302(b))	16,846.1	n/a	16,832.0	17,348.0	17,090.0
Other emergency appropriations					
FY2005 supplemental acts ^e	3,849.0				—
Hurricanes in 2005 calendar year ^f	—				1,076.1
Pandemic influenza ^g	—				111.4
Rescissions (targeted) ^h	—				-66.1

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

* indicates the amount of loans (authority) that can be made. The appropriation includes only the subsidy.

a. FY2005 levels reflect the 0.8% rescission to all discretionary accounts (P.L. 108-447). FY2006 enacted levels *do not* reflect the 1% across-the-board rescission to discretionary accounts in 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 programs administered under various 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.

e. The Hurricane Disaster Act of 2005 (P.L.108-324) contained \$2.9 billion in emergency assistance for producers and \$575 million in other emergency funds for conservation and rural development. The Emergency Supplemental Appropriations of 2005 (P.L. 109-13) contained \$344 million in P.L. 480 food assistance grants and conservation watershed programs.

f. 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, \$404 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.

g. 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.

h. Division B, Title III, of P.L. 109-148 rescinds \$35 million from foreign food aid, \$10 million from conservation, \$10 million from rural development, and \$11 million from food and nutrition.