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Food and Agriculture Provisions in the FY1997 Supplemental Appropriations Act

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Summary

An FY1997 supplemental appropriations bill (P.L.105-18, H.R. 1871) was signed into law on June 12, 1997. The conference agreement of an earlier version of the bill (H.R. 1469) was vetoed on June 9, because of provisions unrelated to the supplemental funding provided. Contained within the \$8.6 billion measure is \$354.3 million for food and agriculture programs within the U.S. Department of Agriculture (USDA). The vast majority of the USDA funding was designated as emergency supplemental funding to help farmers recover from floods and other natural disasters. Most of the non-emergency USDA funding in P.L. 105-18 provides supplemental funding to the Special Supplemental Nutrition Program for Women, Infants and Children (WIC).

Background

The President signed into law an FY1997 supplemental appropriations bill (P.L. 105-18, H.R. 1871), which provides \$5.6 billion dollars in disaster relief for many regions of the country and another \$3 billion in other spending, primarily for U.S. peacekeeping in Bosnia. An earlier version of the bill (H.R. 1469), which contained identical funding levels as the enacted version, was passed by both chambers a week earlier. However, the President vetoed H.R. 1469, primarily because the measure would have provided for an automatic continuing resolution for any FY1998 appropriations bill not enacted by September 30. This provision was not included in the enacted version.

P.L. 105-18 provides \$354.3 million in supplemental funding for USDA programs, compared with \$229.35 million in the President's request.¹ Much of the difference between the total amount requested and the amount ultimately approved by Congress is because

¹ Appropriations for all USDA programs except for the Forest Service are provided through the agriculture subcommittee of the House and Senate Appropriations Committees. The totals in this report do *not* reflect the \$67.4 million provided by P.L. 105-18 for Forest Service emergency expenses resulting from flooding and other natural disasters.

the extent of damage caused by the Upper Midwest flooding this spring was not fully known in the early stages of the bill process. Moreover, there were subsequent disasters requiring additional funding.

The vast majority of the funding for food and agriculture provisions in the measure has been designated as emergency supplemental funding to help farmers recover from floods and other natural disasters. Most of the non-emergency USDA funding provides supplemental funding to the Special Supplemental Nutrition Program for Women, Infants and Children (WIC).

Emergency Provisions

The *Watershed and Flood Prevention Operations Program*, administered by the Natural Resources Conservation Service, receives \$166 million in P.L. 105-18. Earlier this year, the President requested a supplemental of \$84.1 million. These funds likely are expected to be used to repair damage to waterways and watersheds resulting from floods and other natural disasters. As much as \$15 million of this amount can be used for floodplain easements. This will allow a willing, flood-affected farmer to receive a payment, in return for agreeing not to redevelop or use certain lands for agricultural purposes.

The *Emergency Conservation Program* administered by the Farm Service Agency, which provides cost-sharing assistance to producers affected by the floods, receives \$70 million in P.L. 105-18, compared with the earlier Administration request for \$37 million. Funds in this program are used to restore damaged farmland by reshaping it and removing debris.

The supplemental appropriations act permits the Secretary of Agriculture to sell \$50 million of reserve grain in government stocks to fund a currently unfunded *livestock indemnity program*. This will pay livestock growers a certain amount for each head of cattle lost in a disaster. An appropriation is not required for this authority, since it will be funded through USDA's Commodity Credit Corporation.

The *Tree Assistance Program* (TAP) receives \$9 million in emergency funds to primarily help small, California orchardists replant trees that were damaged or destroyed by natural disasters. TAP is a cost-sharing program that pays orchardists 65 percent of the cost of replanting or rehabilitating disaster-stricken trees on losses in excess of 35 percent.

P.L. 105-18 also provides \$18 million to support an estimated \$70 million in *Farm Service Agency (FSA) emergency disaster loans*. These low-interest loans are designed to help disaster-stricken, family-sized farmers, who are unable to obtain credit from a commercial lender. Most of the \$95 million in current lending authority in this program has been used. Also provided is \$5 million for *FSA subsidized guaranteed operating loans*. These loans are made by a commercial lender, but the government provides an interest-rate subsidy and guarantees up to 90 percent of principal and interest. The \$5 million can support approximately \$45 million in new guarantees. Current funding allows for loan guarantees of \$200 million in this program for FY1997.

P.L. 105-18 also provides assistance to rural areas affected by disasters by allowing USDA to use any unobligated balances in the Rural Housing Insurance Fund from prior year supplementals. This estimated balance of about \$5.5 million, can be used to support *Section 502 low-income housing loans*, *Section 504 housing repairs loans and grants*, *Section 515 rental housing loans*, and *domestic farm labor grants*. The measure also provides \$4 million for loan subsidies or grants for the *Rural Utilities Assistance Program*, for the repair of rural water and sewer systems following a flood or other natural disaster, once FEMA assistance is exhausted.

Non-Emergency Provisions

The *WIC* program, which provides monthly food packages to low-income mothers and their small children, receives supplemental funding of \$76 million in P.L. 105-18 to help meet a higher than anticipated caseload and food costs for the current fiscal year. The President had requested \$100 million to maintain the current 7.4 million person caseload through FY1997.

P.L. 105-18 also provides \$6.3 million in budget authority to support \$50 million in additional funding for the *Farm Service Agency farm operating loan program*. The program has current funding for approximately \$470 million in loans, which USDA says is virtually exhausted.

Another provision requires the Secretary of Agriculture to *survey cheese manufacturers* weekly on prices received for bulk cheese and to ensure manufacturers of the confidentiality of this survey. Within 150 days of enactment of the supplemental, (November 9, 1997), the Secretary is required to report to Congress on the rate of compliance of manufacturers to the survey, and if necessary, propose legislative recommendations for improving compliance. USDA recently began a weekly survey of cheese manufacturers and uses this survey price as a component in determining the base price for most farm milk sold in the nation.

Offsets

In order to partially offset the cost of the supplemental funding, P.L. 105-18 makes reductions of \$79 million in FY1997 mandatory spending for USDA programs.

P.L. 105-18 reduces by \$16 million total FY1997 spending for the *Export Credit Guarantee Program*, which guarantees the repayment of commercial loans to finance the sale of U.S. agricultural exports to developing and middle-income countries. This reduces the potential amount of loans guaranteed this year from \$5.5 billion to \$3.5 billion, which is close to the annual program level in recent years.

A \$10 million limit is placed on funding for the *Export Enhancement Program* (EEP), which provides bonus payments to exporters of U.S. agricultural commodities to make them price competitive in foreign markets. This is a \$90 million reduction from the current authority of \$100 million, for estimated savings of \$23 million. To date, USDA has awarded no EEP bonuses in FY1997, based on its view that current market conditions do not warrant the use of EEP.

P.L. 105-18 cuts funding for mandatory commodity purchases from \$100 million to \$80 million for *The Emergency Food Assistance Program* (TEFAP), which provides USDA commodities to emergency feeding organizations and authorizes grants to states to help administer the program. The \$20 million reduction comes from the \$100 million in mandatory funding required to be provided to TEFAP from food stamp funds. Discretionary funding of TEFAP provided through annual appropriations is not affected by the reduction. The Administration request for a \$6.25 million reduction in TEFAP to fund a like increase in the Nutrition Education and Training Program, was not approved in the measure.

A reduction of \$20 million is made in the *Fund for Rural America*, a new program which provides \$100 million annually to augment existing resources for rural development and agricultural research. Since most of the FY1997 funding for rural development under this program has been obligated, it is expected that most of the \$20 million reduction may come from the research portion of the program.

P.L. 105-18 did not concur with the Administration request to rescind \$50 million from Title I (credit sales) of the P.L. 480 foreign food aid program. Report language of earlier-passed versions of the bills state that any surplus of Title I funds may be needed to be transferred to Title II for commodity donations for overseas emergencies. P.L. 105-18 also did not concur with a \$19 million reduction in the Wetlands Reserve Program, originally contained in the House version of H.R. 1469 only.