

# Report for Congress

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## **Appropriations for FY2003: U.S. Department of Agriculture and Related Agencies**

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Appropriations are one part of a complex federal budget process that includes budget resolutions, appropriations (regular, supplemental, and continuing) bills, rescissions, and budget reconciliation bills. The process begins with the President's budget request and is bounded by the rules of the House and Senate, the Congressional Budget and Impoundment Control Act of 1974 (as amended), the Budget Enforcement Act of 1990, and current program authorizations.

This report is a guide to one of the 13 regular appropriations bills that Congress passes each year. It is designed to supplement the information provided by the House and Senate Appropriations Subcommittees on Agriculture. It summarizes the current legislative status of the bill, its scope, major issues, funding levels, and related legislative activity. The report lists the key CRS staff relevant to the issues covered and related CRS products.

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# Appropriations for FY2003: U.S. Department of Agriculture and Related Agencies

## Summary

During 2002, the House and Senate Appropriations Committees completed action on their respective versions of FY2003 appropriations bills (H.R. 5263 and S. 2801) for the U.S. Department of Agriculture (USDA) and Related Agencies (including the Food and Drug Administration). However, neither chamber conducted floor action on its respective measure before the 107<sup>th</sup> Congress adjourned. Meanwhile, FY2003 funding for USDA and related agencies currently is being governed by a continuing resolution that maintains FY2003 funding at the FY2002 enacted level including supplemental appropriations.

On January 23, 2003, the Senate passed an omnibus appropriations measure (H.J.Res. 2) containing FY2003 funding for agencies and programs within the 11 FY2003 appropriations bills that were unresolved in the 107<sup>th</sup> Congress, including agriculture. Overall funding for ongoing USDA and related agency programs in H.J.Res. 2 is close to the \$74.3 billion provided in the Senate-reported version of S. 2801. Not included in that total is an adopted amendment providing \$3.1 billion in supplemental disaster assistance, to primarily assist producers in counties declared disaster areas in 2001 and 2002. This funding was offset with a portion of an across-the-board rescission of all discretionary spending in the omnibus measure. Another adopted amendment in H.J.Res. 2, not included in the total, is \$500 million in additional food aid for African famine relief, with no budget offsets. No supplemental provisions were included in either H.R. 5263 or S. 2801. Total funding levels for H.J.Res. 2 currently are not available, since the potential effect of an included 2.85% across-the-board rescission has not been determined. The measure is in conference committee.

Among their common elements, both H.R. 5263, as reported by the House, and H.J.Res. 2, as passed by the Senate: 1) reject an Administration proposal to eliminate funding for three ongoing watershed programs and replace them with regular funding for the Emergency Watershed Program; 2) fund special research grants proposed to be terminated by the Administration, and eliminate funding for a mandatory research program; 3) express concern over an Administration proposal to reduce mandatory foreign food aid spending, and limit funding for the Export Enhancement Program; 4) increase funding over FY2002 for food safety and animal and plant health inspection activities reflecting increased government responsibility to protect the food supply from terrorist attacks; and 5) increase USDA food and nutrition program spending by \$4 billion over FY2002, in line with the Administration request, including \$3.2 billion more for the food stamp program.

*\*Note: The Senate-passed omnibus appropriations measure for FY2003 (H.J.Res.2) includes a Congressional Budget Office-estimated 2.85% rescission of total discretionary spending in the measure, to offset the cost of various adopted amendments. Figures in this report do not include the rescission, since the effect of the rescission on individual accounts is currently unknown.*

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# Appropriations for FY2003: U.S. Department of Agriculture and Related Agencies

## Most Recent Developments

On January 23, 2003, the Senate completed action on an omnibus appropriations measure (H.J.Res. 2), which includes FY2003 funding for USDA and Related Agencies. The measure contains \$3.1 billion in supplemental disaster assistance for crops and livestock and \$500 million in supplemental food aid for African famine relief through USDA's P.L. 480 program. H.J.Res. 2 is currently in conference committee. During 2002, the House and Senate Appropriations Committees had reported their respective versions (H.R. 5263 and S. 2801) of an FY2003 agriculture appropriations bill. However, no floor action was taken before the 107<sup>th</sup> Congress adjourned. Neither of these measures contained any supplemental spending.

## USDA Spending at a Glance

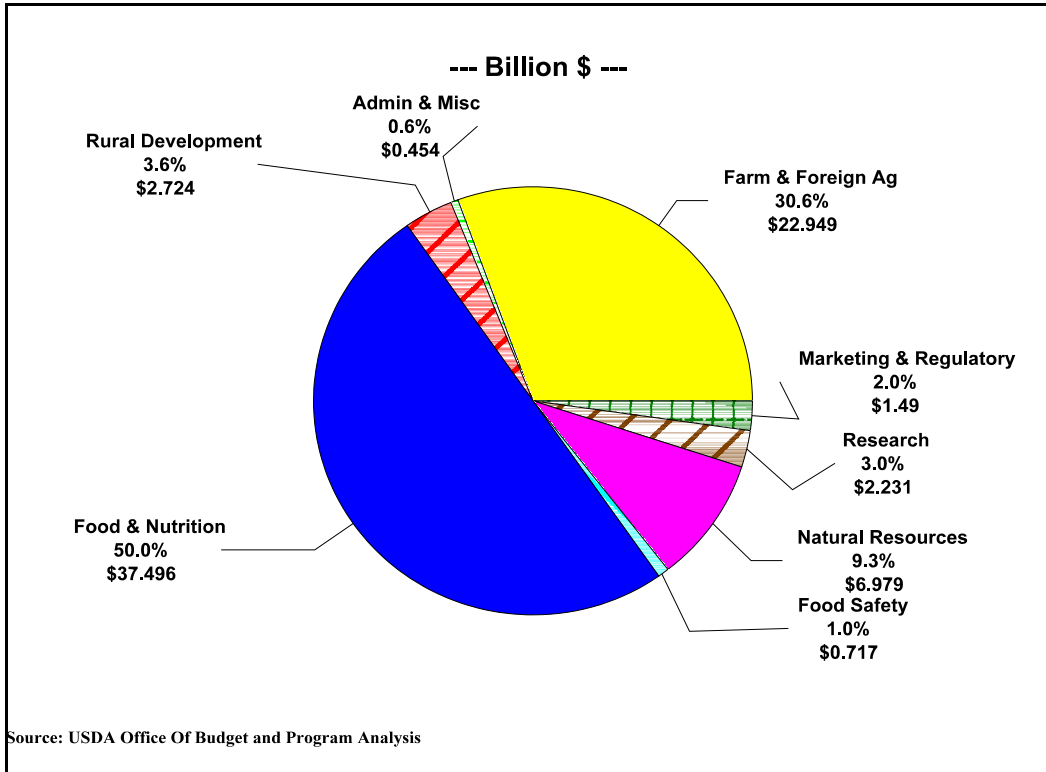
The U.S. Department of Agriculture (USDA) carries out its widely varied responsibilities through approximately 30 separate internal agencies and offices staffed by some 100,000 employees. USDA is responsible for many activities outside of the agriculture budget function. Hence, spending for USDA is not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

USDA gross outlays for FY2002 were \$79.95 billion, including regular spending and supplemental spending for homeland security following the September 11, 2001 terrorist attacks. The mission area with the largest gross outlays (\$37.5 billion or 50% of spending) was for food and nutrition programs – primarily the food stamp program (the costliest of all USDA programs), various child nutrition programs, and the Women, Infants and Children (WIC) program. The second largest mission area in terms of total spending is for farm and foreign agricultural services, which totaled \$22.9 billion, or 31% of all USDA spending. 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.

*Note: The Senate-passed omnibus appropriations measure for FY2003 (H.J.Res.2) includes a Congressional Budget Office-estimated 2.85% rescission of total discretionary spending in the measure, to offset the cost of various adopted amendments. Figures in this report do not include the rescission, since the effect of the rescission on individual accounts is currently unknown.*

USDA spending in FY2002 also included \$7.0 billion (9%) for an array of natural resource and environment programs, approximately three-fourths of which was for the activities of the Forest Service, and the balance for a number of discretionary conservation programs for farm producers. (USDA's Forest Service is funded through the Interior appropriations bill, and is the only USDA agency not

**Figure 1**  
**U.S. Department of Agriculture Actual Gross Outlays, FY2002**



funded through the annual agriculture appropriations bill.) USDA programs for rural development (\$2.72 billion in gross outlays for FY2002); research and education (\$2.2 billion); marketing and regulatory activities (\$1.5 billion); meat and poultry inspection (\$717 million); and departmental administrative offices and other activities (\$454 million) account for the balance of USDA spending.

## Mandatory vs. Discretionary Spending

Approximately three-fourths of total spending within the U.S. Department of Agriculture is classified as mandatory, which by definition occurs outside the control of annual appropriations. Currently accounting for the vast majority of USDA mandatory spending are: the farm commodity price and income support programs (including ongoing programs authorized by the 2002 farm bill and emergency programs authorized by various appropriations acts); the food stamp program and

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child nutrition programs; the federal crop insurance program; and various agricultural conservation and trade programs.

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

The other 25% of the USDA budget is for discretionary programs, which are determined by funding in annual appropriations acts. Among the major discretionary programs within USDA are Forest Service programs; certain conservation programs; most of its rural development programs and research and education programs; agricultural credit programs; the supplemental nutrition program for women, infants, and children (WIC); the Public Law (P.L.) 480 international food aid program; meat and poultry inspection, and food marketing and regulatory programs. Funding for all USDA discretionary programs (except for the Forest Service) is provided by the annual agriculture appropriations act. Funding for Forest Service programs is included in the annual Interior appropriations act.

**Table 1. USDA and Related Agencies Appropriations, FY1994 to FY2002**  
(budget authority in billions of dollars)

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02
Discretionary	\$14.59	\$13.29	\$13.31	\$13.05	\$13.75	\$13.69	\$13.95	\$15.07	\$16.02
Mandatory	\$56.25	\$54.61	\$49.78	\$40.08	\$35.80	\$42.25	\$61.95	\$58.34	\$56.91
Total Budget Authority	\$70.84	\$67.90	\$63.09	\$53.12	\$49.55	\$55.94	\$75.90	\$73.41	\$72.93

**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 emergency supplemental appropriations.

**Source:** House Appropriations Committee.

*Note: The Senate-passed omnibus appropriations measure for FY2003 (H.J.Res.2) includes a Congressional Budget Office-estimated 2.85% rescission of total discretionary spending in the measure, to offset the cost of various adopted amendments. Figures in this report do not include the rescission, since the effect of the rescission on individual accounts is currently unknown.*

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

## Recent Congressional Action

### FY2003 Continuing Resolution

The 107<sup>th</sup> Congress adjourned without approving a regular full-year FY2003 appropriations measure for all non-defense agencies and programs, including USDA and related agencies. FY2003 spending for these agencies and programs currently is being governed by a seventh continuing resolution (P.L. 108-4, H.J.Res. 13) which expires on February 7, 2003. The resolution maintains FY2003 spending at the FY2002 level (including supplementals) for the effective period of the resolution.

For discretionary programs, the resolution requires funds to be allocated at the same rate as in FY2002, that is, the equivalent of one-twelfth of the FY2002 appropriation is available in each month in FY2003. One exception to this is the rate of funding for USDA's Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Total FY2003 spending for WIC is limited to its FY2002 level of \$4.4 billion. However, its authorizing statute requires that program funding be "front loaded," so that one-third of the funds are allocated to the states in the first quarter of the fiscal year, instead of the one-fourth funding that would accrue to the program in the first quarter under the continuing resolution.

The continuing resolution contains specific requirements for the rate of spending for mandatory programs. The resolution allows the funds to be made available at whatever rate of spending is required by a mandatory program's authorizing statute. Hence, full funding for food stamps and child nutrition programs will be provided under the current resolution regardless of what proportion it is of total spending, as long as it does not exceed the total FY2002 appropriation. The mandatory farm price and income support programs also are unaffected, but this is because they do not require an annual appropriation, and instead rely on the borrowing authority of USDA's Commodity Credit Corporation (CCC) for their funding. The CCC does receive an annual appropriation to reimburse it for its annual operating losses. Since the requested funding level for the CCC is below the FY2002 appropriation, available CCC borrowing authority is expected to be adequate

*Note: The Senate-passed omnibus appropriations measure for FY2003 (H.J.Res.2) includes a Congressional Budget Office-estimated 2.85% rescission of total discretionary spending in the measure, to offset the cost of various adopted amendments. Figures in this report do not include the rescission, since the effect of the rescission on individual accounts is currently unknown.*

If a final appropriations measure is not enacted in FY2003 and USDA operates under a continuing resolution for the entire fiscal year that limits funding to the FY2002 level without exception, USDA spending could be adversely affected, according to USDA budget officials. Maintaining funding levels at the FY2002 level could lead to problems for some of the nutrition programs that are regarded as “entitlements.” Also, all government agencies and programs must absorb a mandated federal pay increase for FY2003, currently scheduled at 3.1%.

## **FY2003 Budget Resolution**

The full House approved its version of an FY2003 budget resolution (H. Con. Res. 353) on March 20, 2002. The Senate Budget Committee completed markup of its version of the resolution (S. Con. Res. 100) during the week of March 18, 2002. The Senate did not complete formal action on the FY2003 resolution. The budget resolution establishes a framework for all federal spending and revenue for FY2003 and does not require presidential approval. Although the FY2003 budget resolution has not been resolved, the House and Senate Appropriations Committees still made FY2003 discretionary spending allocations to each of their thirteen subcommittees to fund their respective annual appropriations bills. These so-called 302b allocations are based on the amount of total discretionary spending contained within the House and Senate versions of the FY2003 budget resolution. In 2002, the agriculture subcommittee of the House Appropriations Committee received an FY2003 allocation of \$17.601 billion for the funding of all discretionary USDA and related agency programs under the subcommittee’s jurisdiction. The Senate Appropriations Committee initially allocated \$17.980 billion to its agriculture subcommittee. However, in early January 2003, House and Senate Appropriations Committee leadership reached an informal agreement on revised allocations for all subcommittees with pending FY2003 action, in order to conform with Administration budget targets. The agreed-to allocation for the agriculture subcommittees for FY2003 was \$17.4 billion, which is equivalent to the President’s request.

## **FY2003 Agriculture Appropriations Action**

**Administration’s Request.** As the first step in the FY2003 appropriations process, the Bush Administration released its budget request on February 4, 2002. Within the budget, the Administration requested FY2003 budget authority of \$74.0 billion for the U.S. Department of Agriculture and related agencies (which includes all of USDA except the Forest Service, and also includes the Food and Drug Administration and the Commodity Futures Trading Commission.) The \$74.0 billion requested for FY2003 is \$928 million above the *regular* appropriations of \$73.0 billion made in FY2002 (P.L. 107-76). It is \$432 million above the *total* FY2002 appropriations of \$73.6 billion, which includes two supplemental appropriations acts (P.L. 107-117 and P.L. 107-206), making nearly \$500 million in net supplemental appropriations to various USDA programs, and FDA and CFTC, in response to the September 11, 2001 terrorist attacks.

*Note: The Senate-passed omnibus appropriations measure for FY2003 (H.J.Res.2) includes a Congressional Budget Office-estimated 2.85% rescission of total discretionary spending in the measure, to offset the cost of various adopted amendments. Figures in this report do not include the rescission, since the effect of the rescission on individual accounts is currently unknown.*

The requested \$17.4 billion for discretionary accounts is \$1.4 billion above regular discretionary appropriations of \$16.0 billion made in FY2002, and \$870 million above the total appropriation of \$16.55 billion that includes the \$535 million supplemental. Accounting for \$368 million of the requested increase in discretionary spending for USDA and related agencies is the Administration’s assumption of a legislative proposal that would require all federal agencies to assume the full cost of accruing employee pensions and retiree health benefits beginning in FY2003.<sup>1</sup>

**Table 2. Congressional Action on FY2003 Appropriations for the U.S. Department of Agriculture and Related Agencies**

Subcommittee Markup Completed		House Report	House Passage	Senate Report	Senate Passage	Conference Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
6/26/02	7/23/02	H.R. 5263 (H.Rept. 107-623) 7/26/02	(1)	S. 2801 (S.Rept. 107-223) 7/25/02	(1)	**	**	**	**

\*\* = Pending

(1) The 107<sup>th</sup> Congress adjourned without passage of H.R. 5263 or S. 2801 by their respective chambers. The 108<sup>th</sup> Congress is considering the FY2003 appropriations for USDA and related agencies in the context of an omnibus appropriations bill (H.J.Res. 2) which the Senate amended and passed on January 23, 2003.

**House Action.** The agriculture subcommittee of the House Appropriations Committee and the full House Appropriations Committee completed their respective markups of the FY2003 agriculture bill for USDA and related agencies on June 26 and July 11, 2002, respectively. The bill (H.R. 5263) and report (H.Rept. 107-623) were filed by the full committee on July 26, 2002. No floor action was held on the bill.

Total appropriations in H.R. 5263, as reported, are \$74.306 billion, of which \$17.601 billion are for discretionary programs, and \$56.705 billion for mandatory USDA programs. The \$17.601 billion for discretionary programs is exactly equal to the 302b allocation given to the subcommittee by the full committee, (see “FY2003 Budget Resolution” above), and \$180 million above the President’s request for FY2003. The discretionary level in the House bill is \$908 million higher than what was provided in FY2002 including supplementals, or \$1.4 billion higher than the regular FY2002 appropriations, excluding emergency supplementals.

<sup>1</sup> Although the total Administration request for FY2003 includes the estimated \$368 million to fund this proposal, this report (in conformance with the presentation of data by the House Appropriations Committee) does not allocate these requested funds across individual agencies.

*Note: The Senate-passed omnibus appropriations measure for FY2003 (H.J.Res.2) includes a Congressional Budget Office-estimated 2.85% rescission of total discretionary spending in the measure, to offset the cost of various adopted amendments. Figures in this report do not include the rescission, since the effect of the rescission on individual accounts is currently unknown.*

When the 108<sup>th</sup> Congress convened in early January 2003, the full House adopted a continuing resolution (H.J.Res. 2), which also was intended to serve as a vehicle for completing final funding decisions on the 11 remaining regular appropriations bills, including agriculture. Although the House-adopted version of H.J.Res. 2 was a temporary resolution extending funding through January 31, 2003, the Senate-amended version is an omnibus appropriations measure that includes the full-text of each of the outstanding regular bills, as amended. H.J.Res. 2 currently is in conference. In the meantime, FY2003 spending is being governed by a seventh continuing resolution (P.L. 108-4, H.J.Res. 13), until it expires on February 7, 2003. (See the “FY2003 Budget Resolution” section earlier in this report.)

**Senate Action.** The Senate Appropriations Committee completed subcommittee and full committee markup during the week of July 22, 2002, and reported its version of the FY2003 agriculture appropriations bill (S. 2801, S.Rept 107-223) on July 25. S. 2801, as reported, provides total funding of \$74.66 billion, which is \$354 million above the House bill, \$598 million above the Administration request, and \$1 billion above the FY2002 enacted level including supplementals. Of the total amount provided in S. 2801, \$17.98 billion is for discretionary programs, compared with \$17.6 billion in the House bill, \$17.4 billion in the Administration’s request and \$16.55 billion provided in FY2002.

The 107<sup>th</sup> Congress adjourned without completing action on S. 2801 or any other permanent FY2003 agriculture spending bill. In early January 2003, Senate appropriators combined the FY2003 agriculture appropriations bill with ten other unresolved appropriations bills, as amended, into an omnibus package which was adopted as a substitute amendment (S.Amdt.1) to H.J.Res. 2. H.J.Res. 2 was further amended on the Senate floor, and adopted by the Senate on January 23, 2003. Funding levels for USDA and related agencies in H.J.Res. 2 are relatively close to the funding levels in S. 2801 for ongoing USDA programs. However, separate adopted amendments in H.J.Res. 2 provide \$3.1 billion in farm economic and disaster assistance, and \$500 million in additional P.L. 480 funds for emergency famine relief in Africa. The \$3.1 billion in farm assistance was offset by an across-the-board reduction in all discretionary programs in the measure. No offsets were provided for the supplemental P.L. 480 food aid. H.J.Res. 2 is currently in conference committee.

## **FY2003 Agriculture Appropriations: Proposed Spending Levels and Current Issues**

The following sections compare the Senate-passed omnibus appropriations bill (H.J.Res. 2) to the House-reported agriculture appropriations bill (H.R. 5263), the Administration’s FY2003 request, and the FY2002 enacted level for various mission areas and agencies within USDA, and for FDA. Also see the table at the end of the report for a tabular summary of the House and Senate measures, the FY2003 request, and the FY2002 enacted appropriation levels, including supplementals. This

*Note: The Senate-passed omnibus appropriations measure for FY2003 (H.J.Res.2) includes a Congressional Budget Office-estimated 2.85% rescission of total discretionary spending in the measure, to offset the cost of various adopted amendments. Figures in this report do not include the rescission, since the effect of the rescission on individual accounts is currently unknown.*

report will continue to track congressional action on FY2003 agriculture appropriations as the process continues.

## **Farm Commodity Support**

Most spending for USDA's mandatory agriculture and conservation programs, as authorized by the 2002 farm bill (P.L. 107-171), 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 the spending of ongoing programs such as farm commodity price and income support activities (including annual Direct and Counter-cyclical Payments); and various agricultural conservation and trade programs. The CCC has also been the funding source for a large portion of emergency supplemental spending over the years, particularly for ad-hoc farm disaster payments, and direct market loss payments to growers of various commodities which have been provided in response to low farm commodity prices.

The CCC must eventually repay the funds it borrows from the Treasury. But, because the CCC never earns more than it spends, its losses must be replenished periodically through a congressional appropriation so that its \$30 billion borrowing authority (debt limit) is not depleted, which would render the corporation unable to function. Congress generally provides this infusion through the regular annual USDA appropriation law. Because of the degree of difficulty in estimating its funding needs, which is complicated by crop and weather conditions and other uncontrollable variables, the CCC in recent years has received a "current indefinite appropriation," which in effect allows the CCC to receive "such sums as are necessary" during the fiscal year for previous years' losses and current year's losses. Indefinite appropriations have become more common for the CCC in recent years, particularly in FY2000 when CCC net outlays in that year totaled \$32 billion. Without an indefinite appropriation, the CCC would have exhausted its \$30 billion borrowing limit.

For FY2003, the Administration requested an indefinite appropriation for the CCC estimated at \$16.285 billion, compared with an estimated \$20.279 billion for FY2002. Both the House-reported appropriations bill (H.R. 5263) and the Senate-passed omnibus measure (H.J.Res. 2) concur with this request and estimate.

**Farm Disaster Assistance.** With a large portion of the nation in extreme and severe drought for the past two years, many farm groups have been seeking supplemental federal disaster assistance for 2001 and 2002 crop and livestock losses. The Senate-passed omnibus appropriations measure for FY2003 (H.J.Res. 2) contains an adopted Cochran amendment (S.Amdt. 204) providing \$3.1 billion in economic and disaster assistance for agricultural producers. No comparable provisions have been considered in the House.

*Note: The Senate-passed omnibus appropriations measure for FY2003 (H.J.Res.2) includes a Congressional Budget Office-estimated 2.85% rescission of total discretionary spending in the measure, to offset the cost of various adopted amendments. Figures in this report do not include the rescission, since the effect of the rescission on individual accounts is currently unknown.*

An estimated \$2.04 billion of the assistance in the Senate-passed measure is in the form of supplemental direct payments to producers of various crops. If a county received a disaster declaration in either 2001 or 2002, eligible growers in that county could receive a supplemental payment, with no distinction of whether the producer has been affected by a natural disaster. The eligible producer would receive a payment equal to 42% of the direct payment the producer received for the 2002 crop under the federal price and income support program. The adopted amendment also contains \$375 million for other specified crops and \$350 million in livestock assistance.

Throughout the more than one-year debate on 2001 and 2002 farm disaster assistance, the Administration has insisted that any new emergency aid for farmers needs to be offset with comparable spending reductions elsewhere in the budget. The total \$3.1 billion cost of the amendment was offset as part of a 1.6% across-the-board reduction in all non-defense discretionary spending in the resolution. However, the effect of this rescission on USDA discretionary programs has not been determined.

Conferees are expected to address the issue of whether an across-the-board rescission is the appropriate way to fund the assistance, considering that the assistance is classified as mandatory spending and the rescissions are to discretionary programs. They are also expected to address concerns that the assistance in the bill is not necessarily targeted to those most in need of disaster aid.

Last year, a Daschle amendment to provide an estimated \$6 billion in farm disaster assistance was included in the Senate's FY2003 Interior appropriations bill, with no offsets. However, Senate floor action was not completed when the 107<sup>th</sup> Congress adjourned. A similar Daschle amendment (S.Amdt. 79) was offered to H.J.Res. 2, but was defeated on the Senate floor. For a comparison of the disaster provisions in S.Amdt. 2, as passed by the Senate, with the Daschle amendment and other pending bills, see CRS Report RL31700, *Farm Disaster Bills in the 108<sup>th</sup> Congress: A Comparison*.

## Crop Insurance

The federal crop insurance program is administered by USDA's Risk Management Agency (RMA). It offers basically free catastrophic insurance to producers who grow an insurable crop. Producers who opt for this coverage have the opportunity to purchase additional insurance coverage at a subsidized rate. Most policies are sold and completely serviced through approved private insurance companies that have their program losses reinsured by USDA. The annual agriculture appropriations bill makes two separate appropriations for the federal crop insurance program. It provides discretionary funding for the salaries and expenses of the RMA. It also provides "such sums as are necessary" for the Federal Crop Insurance Fund, which funds all other expenses of the program, including premium subsidies, indemnity payments, and reimbursements to the private insurance companies.

*Note: The Senate-passed omnibus appropriations measure for FY2003 (H.J.Res.2) includes a Congressional Budget Office-estimated 2.85% rescission of total discretionary spending in the measure, to offset the cost of various adopted amendments. Figures in this report do not include the rescission, since the effect of the rescission on individual accounts is currently unknown.*

The Senate-passed omnibus measure (H.J.Res. 2) and the House-reported bill (H.R. 5263) provide nearly identical FY2003 funding of \$70.7 million for RMA salaries and expenses, the only discretionary component of the federal crop insurance program. The House and Senate levels are slightly below the Administration request only because neither bill concurs with the Administration request to shift GSA rent expenses from a central account to individual agency accounts. The Administration request is \$4 million below the FY2002 appropriation of \$74.75 million. Most of the reduction in the FY2003 funding request is attributable to one-time costs in FY2002 for implementing the Agricultural Risk Protection Act (P.L. 106-224), which provided increased subsidies and made other enhancements to the crop insurance program.

For mandatory expenses of the crop insurance program (premium subsidy, program losses and reimbursements to private insurance companies), the Administration requests “such sums as are necessary” and estimates an FY2003 appropriation of \$2.89 billion, which is virtually equal to the FY2002 estimate of \$2.90 billion. H.J.Res. 2, as passed by the Senate, and H.R. 5263, as reported by the House, concur with the FY2003 request.

Annual spending on the crop insurance program is difficult to predict in advance and is dependent on weather and crop growing conditions. The crop insurance program received legislative enhancements in 2000 (P.L. 106-224) which have contributed to significantly higher farmer participation in the program. The Administration maintains that the increased participation has resulted in windfall profits for the private insurance companies. Hence, the budget request contains a legislative proposal to require private insurance companies to absorb more of the risk of the program by limiting their underwriting gains to 11.5% of retained premiums. Neither bill concurs with this proposal. Senate report language directs USDA to follow current procedures in the Standard Reinsurance Agreement between private companies and USDA before any risk-sharing changes are made.

For more background on crop insurance, see CRS Report RL30739, *Federal Crop Insurance and the Agriculture Risk Protection Act of 2000 (P.L. 106-224)*.

## **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

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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 administrative expenses for program administration and other functions assigned to the FSA. These funds consist of appropriations and transfers from CCC export credit guarantees, from P.L. 480 loans, and from the various direct and guaranteed farm loan programs. All administrative funds used by FSA are consolidated into one account. For FY2003, the Administration requests an appropriation of \$993.6 million for FSA salaries and expenses, compared with \$939 million appropriated in FY2002. Most of the requested increase is attributable to increased pay costs and a lack of carryover funds from FY2002. (FY2002 funding was bolstered by a \$29 million carryover from FY2001. No carryover is expected into FY2003.) The requested level for FY2003 does not reflect any new activities associated with the recently enacted 2002 farm bill (P.L. 107-171). The farm bill provides \$50 million in new mandatory no-year funding for FSA salaries and expenses to administer new farm bill programs.

The House-reported bill (H.R. 5263) provides \$977 million, \$17 million less than the Administration request of \$993.6 million. The Senate-passed omnibus measure (H.J.Res. 2) provides \$986.9 million, which is \$6.7 million less than the Administration request, but nearly \$10 million more than the House-reported bill. However, the farm disaster assistance provisions in H.J.Res. 2 contain an additional \$70 million in FSA salary and expense funding (through a transfer from the Commodity Credit Corporation) to help FSA administer the disaster provisions of H.J.Res. 2 and the commodity support titles of the 2002 farm bill. Neither bill concurs with the President's request to increase the FSA appropriation by \$17 million over FY2002 to cover FSA rental payments to GSA, which are currently paid out of a central USDA account.

**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 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.

For FY2003, the House-reported bill (H.R. 5263) concurs with the Administration request for an appropriation of \$212.2 million to subsidize the cost of total direct and guaranteed farm loans of \$3.8 billion. The Senate-passed omnibus measure (H.J.Res. 2) provides \$243.8 million, \$31.6 million above FY2002 and the FY2003 request, to support \$4.065 billion in farm loans, or \$263 million more in

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loans than the House-reported bill and the Administration request. Most of the difference between the House and Senate funding levels is that the Senate measure provides \$24 million more in loan subsidy than the House to support an additional \$205 million in guaranteed subsidized farm operating loans.

FSA farm loan levels have been higher in recent years because an FY2000 supplemental act (P.L. 106-113) provided significant emergency funding for various USDA farm loan programs, from which balances were carried over into subsequent years. Supplemental funding has been provided in recent years for federal farm loans in response to low farm commodity prices, which have diminished the ability of farmers to secure commercial farm loans.

## **Agricultural Trade and Food Aid**

The Senate-passed omnibus appropriations bill (H.J.Res. 2) contains an appropriation of \$1.964 billion in FY2003 for USDA's international activities that are subject to annual appropriations (P.L. 480 food aid, salaries and expenses of the Foreign Agricultural Service, and administrative expenses for managing export credit guarantee programs). The total includes an adopted Nelson (FL) amendment, containing an additional \$500 million for humanitarian food aid for Sub-Saharan African countries under the P.L. 480 Title II account. The House-reported bill recommends budget authority of \$1.491 billion for USDA's international programs. This level is \$367 million greater than enacted in FY2002 and \$41.5 million greater than requested by the President for FY2003. With the Nelson amendment, the Senate bill recommendation for appropriated international programs is \$473 million greater than that in the House-reported bill. The issue of additional appropriations to meet food needs in Sub-Saharan Africa is expected to be addressed in conference.

Among its general provisions, both the Senate omnibus bill and H.R. 5263 as reported limit funding for one of USDA's export subsidy programs, the Export Enhancement Program (EEP), to not more than \$28 million in FY2003, compared with the Administration estimate of \$478 million.

The Administration's budget estimate of a program level of \$6.45 billion for all USDA international activities for FY2003 was based on estimated spending of \$478 million for EEP.<sup>2</sup> The program levels for USDA's international activities were

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<sup>2</sup> Program level is an estimate of the value of all goods and services provided through USDA's international activities. Program level exceeds budget authority because certain significant federal credit programs, such as export credit guarantees funded through the borrowing authority of the Commodity Credit Corporation (CCC), do not require annual appropriations. Only administrative expenses and loan subsidies, not the value of the loan or guarantee, require an appropriation. In addition, CCC funded activities, such as EEP, MAP, and FMDF, which are included in program level, do not require annual appropriations. (continued...)

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estimated at \$6.4 billion in FY2002, and were \$5.22 billion in FY2001. Increased budget authority requested for FY2003 reflects a decision by the Administration to phase out food aid that is dependent on surpluses and to pay for much of U.S. foreign food aid with discretionary rather than mandatory spending. The net effect of curbing EEP spending while augmenting discretionary funding for food aid would mean a program level near the Administration estimate. Although both bills recommend increases in budget authority for discretionary food aid programs, report language also stresses the continuing importance of commodity assistance and the use of surplus commodities in U.S. food aid programs. The Senate committee report (S.Rept. 107-223), for example, expresses strong disagreement with Administration decisions to phase out food aid based on commodity surpluses.

**FAS Salaries and Expenses.** The Foreign Agricultural Service (FAS) administers USDA's international programs. The administration of P.L. 480 Food for Peace, however, is shared between USDA and the U.S. Agency for International Development (USAID). USDA is responsible for Title I of P.L. 480, which provides low-interest, long-term loans to developing countries to finance the purchase of U.S. food products, while USAID is responsible for Title II (commodity donations) and Title III (a bilateral food grant program). FAS (with the Farm Service Agency—FSA) administers the export credit guarantee programs as well. For salaries and expenses of FAS, the Senate-passed omnibus bill provides budget authority of \$131.2 million, while H.R. 5263 provides budget authority of almost \$130 million. The President's budget requested \$131.6 million and the FY2002 enacted amount was \$121.8 million. Both bills also recommend \$4.1 million for administrative expenses of FAS and FSA in connection with the export credit programs.

**Foreign Food Aid: Funding and Issues.** Within the \$1.491 billion of recommended budget authority requested for discretionary programs, H.R. 5263, as reported, provides \$1.357 billion for P.L. 480 (Food for Peace) programs, which have been the main channel for U.S. foreign food aid and are the largest appropriated international USDA program. The House level is \$358 million greater than the FY2002 enacted amount and \$43 million greater than the President's FY2003 request. Compared to the budget request, H.R. 5263 increases Title II commodity donations by \$15 million and Title I loans by \$28 million. Within the \$1.964 billion of budget authority provided by the Senate bill for discretionary programs, \$1.828 billion would go to P.L. 480 food aid.

With the adopted Nelson amendment to the Senate bill, food aid appropriations would increase to about \$1.8 billion compared with spending of an estimated \$1.61 billion in FY2002 and \$1.66 billion in FY2001. Despite the recommended increases in budget authority, the program level for U.S. food aid under the Administration request would decline to \$1.2 billion.

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<sup>2</sup> (...continued)

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The increase in food aid donations recommended by the Senate bill is in response both to unanticipated food needs in a number of Sub-Saharan African countries and to the Administration's decision to phase out food aid based on commodity surpluses or CCC funding. Proposed reductions in Section 416 (which uses surplus commodities) are based on a recent Administration review of food aid that also recommended (and is in the budget) that all programs now run through private voluntary organizations (PVOs), cooperatives, and the World Food Program be placed in USAID, with USDA food aid activities confined to government-to-government programs. Consistent with this approach, the Administration shows no CCC funding in FY2003 for Food for Progress (FFP) which provides U.S. commodities to developing countries and emerging democracies. CCC funding of this program has averaged around \$100 million annually in recent years. Any FFP activity would be limited to government-to-government programs under P.L. 480 Title I. Reauthorization of the FFP program in the 2002 farm bill (P.L. 107-171), with continued reliance on CCC funding, complicates the efforts of the Administration to phase out CCC-funded food aid programs.

The Administration's decisions to phase out Section 416(b) commodity donations and to limit the proportion of commodities that are monetized (i.e., sold) to finance projects have provoked controversy. Food aid providers, such as private voluntary organizations (PVOs) and cooperatives, agribusiness suppliers of commodities to the food aid programs, and Members of Congress have criticized the Administration's decisions on food aid. These groups welcome the increase in Title II commodity donations, but maintain that the net effect of the Administration's decision will be to reduce U.S. foreign food aid. Reflecting these views, the House Committee report endorses the use of commodities (and monetization) in U.S. food aid programs and points out that it "expects" the Administration to take its views into consideration in administering food aid programs. While some food aid groups agree that food aid should not be based on the availability of surpluses (as is the case with Section 416(b)), they maintain that substantially more funds for food aid than requested by the President or provided in the House or Senate reported bills are needed. The Nelson amendment was adopted in response to these concerns.

The use of commodity surpluses to augment U.S. food aid has been criticized by the European Union, Australia, and other agricultural exporting countries as an effort to circumvent U.S. World Trade Organization (WTO) export subsidy reduction commitments. These trading partners argue that much of U.S. food aid is being used to manage supplies rather than to meet emergency needs and that large food aid shipments impede sales of agricultural products by and between developing countries. The issue of food aid and international agricultural trading rules is being pursued by U.S. trading partners in the new round of multilateral trade negotiations launched at the end of 2001.

**Mandatory Trade Programs.** In addition to Section 416(b) and Food for Progress, many other USDA international programs are not subject to direct annual appropriations, and instead are funded through CCC borrowing authority. About

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two-thirds of the proposed FY2003 program level, \$4.058 billion, would be for CCC export credit programs, which guarantee payment for commercial financing of U.S. agricultural exports. The export value of credit guarantees historically has not reached the levels anticipated in budget requests due to actual market conditions and credit needs.

U.S. export credit programs have also been raised as an issue in WTO agricultural trade negotiations. The EU and other trading partners charge that the program has a subsidy element (although it is much less than the subsidy represented by the EU's export restitution program) and gives the U.S. an unfair competitive advantage in exporting certain agricultural commodities. The U.S. has been engaged in negotiations on export credit programs in the Organization for Economic Cooperation and Development (OECD), but these negotiations did not succeed and have been suspended. Any changes in the U.S. program that might result from trade negotiations would have to withstand scrutiny by the House and Senate Agriculture Committees which strongly support the programs as they are presently constituted.

For other CCC-funded programs, the Administration proposes \$90 million for the market access program (MAP) and \$28 million for the foreign market development cooperators program (FMDP), the same as current year funding. Both programs – which have been expanded significantly by the 2002 farm bill (P.L. 107-171) – assist trade associations and others to develop overseas markets for U.S. farm products. For one CCC-funded direct export subsidy program, the Export Enhancement Program (EEP), both bills limit spending to \$28 million. In contrast, the Administration had proposed \$478 million for EEP, the maximum permitted by the 1996 farm law and world trade obligations. For its proposed reductions from the authorized level, the House bill scored savings of \$450 million, although only about \$1 million annually has been used in recent years. In the past, the Congressional Budget Office has scored no savings for proposed cuts to EEP funding, since actual spending in the program has been negligible. However, the House Budget Committee chose to use the Office of Management and Budget (OMB) score which allows dollar-for-dollar savings for cuts from the authorized EEP level.

For the other export subsidy program, the Dairy Export Incentive Program (DEIP), the President's budget anticipates that \$63 million would be provided also reflecting maximum permitted levels under trade obligations.

No additional funding is in the FY2003 budget request for the Global Food for Education Initiative (GFEI), a pilot school and child nutrition program begun by the Clinton Administration and expected to cost an estimated \$230 million. USDA said a decision on continuation will hinge on the results of an evaluation. However, the new farm bill (P.L. 107-171) mandates \$100 million of CCC funding to continue this program in FY2003 and "such sums as necessary" in fiscal years 2004-2007. Finally, the Administration proposes that all costs of the "cargo preference" law, which requires that 75% of all food aid be shipped on U.S. flag vessels when

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feasible, would be borne by USDA; currently, the U.S. Maritime Administration reimburses USDA for one-third of those costs.

For more information on agricultural trade and food aid, see CRS Issue Brief IB98006, *Agricultural Export and Food Aid Programs* and CRS Issue Brief IB10077, *Agricultural Trade Issues in the 107<sup>th</sup> Congress*.

## Natural Resources and Environment

The natural resources and environment mission area within USDA is implemented through the programs of the Natural Resources Conservation Service (NRCS), the Farm Service Agency (FSA), and the Forest Service. (Funding for the Forest Service is provided in the annual Interior appropriations bill, and is not discussed further.) Conservation spending combines discretionary spending, requested by the Administration at \$1.05 billion for NRCS and FSA in FY2003, and mandatory funding, currently estimated at just over \$3.0 billion for FY2003, according to Congressional Budget Office (CBO) estimates which includes \$1 billion in new spending authorized by the recently enacted 2002 farm bill (P.L. 107-171). The 2002 farm bill provides legislative authority, including funding levels, for many of the mandatory conservation programs through FY2007. Under this law, overall mandatory conservation funding is forecast by CBO to grow by about 80%, increasing by a total of \$9.2 billion through FY2007 (and \$17.1 billion through FY2011, assuming no changes in policy).

**Discretionary Conservation Programs.** The House Appropriations Committee-reported bill (H.R. 5263) provides \$1.02 billion for all discretionary conservation programs within USDA, \$29 million below the Administration request of \$1.05 billion and \$36 million below the FY2002 appropriation of \$1.056 billion, which includes \$94 million of supplemental spending provided for watershed and flood prevention in P.L.107-206. The Senate-passed omnibus appropriations bill (H.J.Res. 2) provides \$1.037 billion for FY2003, which is \$35 million above the House level. Much of the difference between the congressional levels and the request is a \$48.7 million request for the Emergency Conservation Program that is not included in either bill.

The largest discretionary conservation program is Conservation Operations (CO), most of which supports technical assistance. The Administration recommends an appropriation of \$841 million for CO, up \$62 million or 8%, compared with the FY2002 appropriation of \$779 million. Of this increase, \$48 million would pay for technical assistance in helping animal feeding operations comply with clean water regulations. H.R. 2563, as reported, provides a CO funding level of \$843.6 million for FY2003, which is \$64.6 million above FY2002, and \$2.6 million above the Administration's request. The Senate-passed omnibus bill recommends \$840 million, which is \$60 million above FY2002 and \$1 million less than the request. The House bill requires NRCS to report on funding allocations to states within 45 days in response to a concern that the agency is reducing state allocations in proportion to congressional earmarks rather than treating earmarks as additions to

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each state's allocation. The Senate bill states that the 2002 farm bill already addressed the funding of technical assistance to support mandatory programs through the CCC by providing that funding for each program include funding for necessary technical assistance. The bill states that none of the appropriated funds to the CO account are to be used to implement the mandatory programs.

Reports accompanying both bills identify more than 50 earmarks, many of which had received similar treatment in earlier years. The Senate bill, for example includes 83 earmarks allocating about \$90 million. The Senate bill specifies that all FY2002 earmarks are not funded in FY2003, unless specified. Some earmarks are for specific projects or sites and others are for activities. The largest earmark is for the grazing lands conservation initiative — H.R. 5263 provides \$21.5 million and H. J. Res 2 provides \$23.5 million, even though the recently enacted 2002 farm bill (P.L. 107-171) authorized appropriations of \$60 million annually. H.R. 5263 provides \$3 million for animal waste management pilot projects, while H.J.Res. 2 specifies several animal waste management projects for funding. Both bills identify partners to be involved in specific projects and activities.

The Administration requests no appropriation in FY2003 for its three ongoing watershed programs: Watershed and Flood Prevention Operations (\$200 million appropriated in FY2002, including a \$94 million supplemental appropriation provided in P.L. 107-206), Watershed Surveys and Planning (\$11 million in FY2002) and Watershed Rehabilitation Program (\$10 million in FY2002). Instead, it requests \$110 million for Emergency Watershed Protection, which is the average of annual spending over the past 10 years, so that USDA would have funds on hand to provide immediate assistance after a natural disaster. (Currently, the emergency programs typically are funded in supplemental acts after a disaster strikes, so assistance may not be available for several months or longer after the damage occurs.)

Neither bill concurs with the Administration request to consolidate accounts into the Emergency Watershed Protection account. Instead, H.R. 5263 recommends \$110 million for Watershed and Flood Prevention Operations (with numerous earmarks), \$11.2 million for Watershed Surveys and Planning, and no funding for Emergency Watershed Protection, while H.J.Res. 2 recommends \$105 million for Watershed and Flood Prevention Operations (with numerous earmarks), \$11.0 million for Watershed Surveys and Planning, \$30 million for Watershed Rehabilitation, and no funding for Emergency Watershed Protection, and also \$30 million for Watershed Rehabilitation. Both bills limit spending for technical assistance to \$45.5 million of the total and spending for activities related to protecting threatened and endangered species to \$1 million.

The Administration also requests no funding in FY2003 for the Forestry Incentives Program, which is terminated by the 2002 farm bill. (It was funded at \$7 million in FY2002). The Emergency Conservation Program, an FSA-funded program which helps producers repair damaged farmland following a disaster, is

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usually funded through emergency supplemental appropriations. However, the Administration assumes that FY2003 spending will be the average of the past 10 years, \$48.7 million, and requests the availability of this level of funding in the regular FY2003 appropriations, which it says would enable it to more rapidly respond to emergencies. The Administration requests almost level funding for the Resource Conservation and Development (RC&D) Program, to support activities in designated RC&D districts, at \$49.1 million. Both bills concur with the Administration request not to provide any funding for the Forestry Incentive Program. H.J.Res. 2 recognizes the creation of the new similar Forest Land Enhancement Program in the 2002 farm bill, and notes that it will receive a total of \$100 million in mandatory funding through FY2007. But the two measures differ from the request by not funding the Emergency Conservation Program and by providing an increase for the RC&D Program; the House bill increase is more than \$7 million, to \$55.1 million, while the Senate bill increase is almost \$2 million, to \$50.0 million.

**Mandatory Conservation Programs.** The Administration's FY2003 request was submitted prior to enactment of the 2002 farm bill, which reauthorized many conservation programs slated to expire at the end of FY2002. Although the Administration stated its support for increased mandatory conservation funding in its comments about the 2002 farm bill, its budget request for FY2003 did not include any of the anticipated increases, except that it requested funding of \$200 million for the Environmental Quality Incentives Program (EQIP) in FY2003. Most of the other mandatory conservation programs had either reached their authorized ceilings (set in dollars or acres), or had been unfunded because of limitations enacted each year in appropriations legislation.

The largest mandatory conservation program is the Conservation Reserve Program (CRP), which pays farmers to retire from production highly erodible and environmentally sensitive land. Late last year, USDA reported that there were about 35.1 million acres enrolled in the CRP, almost 10% of the country's cropland. It was approaching its ceiling of 36.4 million acres, which was raised to 39.2 million acres by the 2002 farm bill. The budget assumes FY2003 outlays of \$1.856 billion to fund existing and new contracts. Most other mandatory funding programs will grow rapidly, as they were reauthorized by the 2002 farm bill. Examples include the Wetlands Reserve Program, which will grow from 1.075 million acres (by 250,000 acres per year) to 2.275 million acres and the Environmental Quality Incentives Program, which will grow from \$200 million annually to \$1.3 billion annually, by the end of FY2007.

General provisions in H.R. 5263, as reported, limit EQIP funding to \$695 million (a savings of \$5 million from the authorized level) and limit WRP enrollment to 245,833 acres in Section 745 (a reduction of 4,177 acres from the authorized level, or \$5 million in savings). H.R. 5263 also limits expenditures for a new mandatory program, the Conservation Security Program, to a single state, Iowa, making it a pilot program (savings of \$3 million in FY2003). This program will provide assistance

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to farmers for the first time in FY2003 to install conservation practices on land in production. The Senate-passed bill prohibits using any of the authorized \$45 million in mandatory FY2003 funding for the Small Watershed Rehabilitation Program.

**Technical Assistance Funding Proposal.** The Administration proposed a new technical assistance line item for FY2003 in a January 2003 letter from the Office of Management and Budget. This line item would provide an additional \$332.8 million to fully fund the technical assistance necessary to implement all mandatory and discretionary conservation programs, including the new programs and enlarged existing programs enacted in the 2002 farm bill. It would be offset by decreases in funding in five other USDA accounts, with over 80% of the offsets coming from other conservation programs. The Administration states that this proposal responds to a Department of Justice opinion that technical assistance funding for mandatory programs remains limited under a cap that had been placed in section 11 of the Commodity Credit Corporation charter in prior law. The Senate omnibus bill rejected this proposal, saying that Congress had already removed this cap by provisions in the 2002 farm bill. The Senate also went further, stating that no funds from the Conservation Operations account could be used to pay for technical assistance supporting implementation of any of the mandatory programs in FY2003. The House bill is silent on this topic as it was passed before this issue arose.

For more information on USDA conservation issues, see CRS Issue Brief IB96030, *Soil and Water Conservation Issues*, and for more information on the farm bill conservation provisions, see CRS Report RL31486, *Resource Conservation Title of the 2002 Farm Bill: A Comparison of New Law with Bills Passed by the House and Senate, and Prior Law*.

## **Agricultural Research, Education, and Economics**

The Senate-passed omnibus bill (H.J.Res. 2) provides \$2.516 billion for USDA's four research, education, and economics (REE) agencies in FY2003, which is \$171 million above the House committee-reported (H.R. 5263) level of \$2.371 billion. Both the Senate omnibus and the House committee bill are above the Administration request of \$2.229 billion. The omnibus bill is \$71 million above the FY2002 enacted level (including supplementals), while the House level is \$74 million below the aggregate FY2002 appropriations.

Four agencies carry out USDA's REE function. The Department's in-house research agency is the Agricultural Research Service (ARS), which provides scientific support to USDA's action and regulatory agencies and conducts long-term, high risk, basic and applied research on subjects of national and regional importance. The National Agricultural Library merged with ARS in the 1994 USDA reorganization. The Cooperative State Research, Education, and Extension Service (CSREES) is the agency through which USDA sends federal funds to land grant Colleges of Agriculture for state-level research, education and extension programs.

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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). ARS, CSREES, ERS, and NASS are under the Undersecretary for Research, Education, and Economics.

**Agricultural Research Service (ARS).** The Senate-passed omnibus measure provides \$1.15 billion for ARS. Of that amount, \$1.05 billion would support ARS's research programs, and \$101 million would support modernizing and building ARS facilities. The omnibus measure represents a \$74 million decrease from FY2002's \$1.2 billion regular appropriation for all of ARS, with a 7.6% increase in the research area and a 15% decrease in the regular appropriation for facilities funding. Taking into consideration the combined supplemental funding of \$138 million that ARS received in two FY2002 supplemental acts (P.L. 107-117 and P.L. 107-206), the omnibus measure provides a 3.3% increase in funding for ARS research, but a 53% decrease in construction funds.<sup>3</sup> The House committee bill (H.R. 5263) provides \$1.1 billion for ARS – \$1 billion for research programs and \$95.3 million for facilities. For all of ARS, H.R. 5263 is at roughly the same level provided in the omnibus bill. The President's budget requested \$971.4 million for ARS research and \$16.6 million for construction projects for FY2003.

For FY2003, the Administration proposed reducing spending in certain core research areas by \$15 million and closing certain labs in order to increase funding for ARS research in selected high priority areas. As in past years, neither the House nor the Senate measure concurs with these proposals. H.R. 5263 contains language in its report blocking the expenditure of any funds to conduct a review of the quality and relevance of ARS research, stating that the National Academy of Science is due to release a similar study sometime in 2002. The Senate-passed omnibus bill contains no comparable language.

The Public Health Security and Bioterrorism Response Act of 2002 (P.L. 107-188) authorized additional appropriations for ARS in FY2003-06 to upgrade bioterrorism-related research facilities in Plum Island, NY and Ames, IA. The Act also authorized \$190 million in FY2003 to be shared among ARS, APHIS, the Forest Service, and cooperators in the states for research on bioterrorism prevention, preparedness, and response, among other things. The Senate-passed omnibus bill does not contain any appropriations under that authority.

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<sup>3</sup> P.L. 107-117 provided \$50 million to ARS for constructing a high security bio-containment facility at its National Animal Disease Center in Ames, Iowa, \$23 million for upgrading its foreign animal disease research lab on Plum Island, New York, and \$40 million for bioterrorism research. P.L. 107-206 provided an additional \$25 million to Ames, Iowa. Also, included in P.L. 107-206 was \$8 million for research on plant and animal diseases. However, the \$8 million was contingent upon a Presidential request and emergency designation, which the President did not provide.

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**Cooperative State Research, Education, and Extension Service (CSREES).** The Senate-passed omnibus measure provides \$1.156 billion for CSREES support of research and extension programs at the land grant colleges of agriculture. This amount is \$94 million less than H.R. 5263. It represents a 12% increase above the FY2002 appropriation of \$1.024 billion, and a 13% increase above the Administration's request of \$1.021 billion.

The Senate-passed omnibus measure increases formula funds for: (1) core research and extension programs at 1862 land grant institutions: \$185.5 million (+ \$5.4 million from FY2002 and the President's request; + \$3.5 million from the House bill); (2) forestry research: \$22.5 million (+ \$.07 million from FY2002 and the budget request; - \$.05 million from H.R. 5263); (3) research at 1890 (historically black) land grant colleges: \$35.6 million (+\$1 million from FY2002 and the budget request; ( -\$.4 million compared with H.R. 5263); (4) extension at 1890 colleges: \$32.1 million (+\$1 million from FY2002 and the budget request; virtually even with H.R. 5263); and (5) extension at 1862 institutions : \$284.2 million (+\$8.3 million from FY2002 and the budget request; +\$7.2 million from H.R. 5263).

The Senate-passed measure increases funding for Special Research (earmarked) grants to \$103.8 million. This is somewhat higher than the \$102.8 million contained in the House-reported measure. The Administration had proposed termination of most Special Research grants, with a funding recommendation of \$3.3 million. FY2002 funding was \$97 million. The omnibus measure also continues funding for an additional group of earmarked grants under the "Federal Administration" portion of the CSREES budget, providing \$26.3 million for those research projects (\$21.7 million in FY2002; \$9.7 million in the budget request). Finally, the omnibus measure would provide \$24.3 million for the National Research Initiative Competitive Research Grants (NRI) program, compared with \$130 million in the House bill. The NRI was funded at \$120 million in FY2002, and the Administration had proposed doubling that amount for FY2003.

The Senate omnibus measure retains the agreement between the earlier House and Senate bills, and with the FY2003 budget request, to block the expenditure of \$120 million in mandatory funds for the Initiative for Future Agriculture and Food Systems that was created in separate legislation in 1998. The 2002 farm bill (P.L. 107-171), the recently enacted law that will guide U.S. farm policy through 2007, reauthorizes the Initiative and gradually increases its funding from \$120 million to \$200 million annually in FY2006-07.

The Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (P.L. 107-188) provides authority for security improvements at land grant college facilities and development of on-farm biosecurity education programs. The omnibus bill contains no appropriations under this authority.

**Economic Research Service (ERS) and National Agricultural Statistics Service (NASS).** The omnibus bill provides \$65.1 million for ERS,

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\$8.2 million less than H.R. 5263, \$2.1 million less than FY2002, and \$14.1 million less than the Administration request. Most of the difference between H.R. 5263 and the omnibus bill is due to the House Committee's inclusion of a request by the Administration to transfer funds from a central account to each individual agency to cover rent paid by each agency to GSA. For NASS, the Senate-passed omnibus measure provides \$140.9 million, which is \$3 million more than provided by H.R. 5263, \$27 million more than the FY2002 appropriation, but \$2.8 million less than the budget request. Both the House and Senate measures allocate roughly \$41 million for NASS to use to carry out the 2002 Census of Agriculture, as the Administration requested.

## Food Safety and Inspection

USDA's Food Safety and Inspection Service (FSIS) is responsible for the mandatory inspection of meat, poultry, and processed egg products to insure their safety, wholesomeness, and proper labeling. The Senate-passed omnibus bill (H.J.Res. 2) would provide \$759.8 million for FSIS in FY2003, compared with \$755.8 million in H.R. 5263, and a total FY2002 appropriation of \$730.6 million, which includes a \$15 million supplemental. FSIS also will have access to an additional \$101 million in user fee income to support its FY2003 inspection activities. The Senate-passed omnibus measure includes \$5 million specifically for FSIS to hire at least 50 additional personnel to enforce the Humane Methods of Slaughter Act. A provision is included calling for more stringent monitoring of foreign establishments exporting meat and poultry to the United States, but an Administration request for an additional \$7.3 million in appropriations to accommodate a one-time shift of funds to cover rental payments to GSA is not included.

## Marketing and Regulatory Programs

USDA's marketing and regulatory programs (MRP) are administered by three agencies: the Agricultural Marketing Service (AMS), the Animal and Plant Health Inspection Service (APHIS), and the Grain Inspection, Packers, and Stockyards Administration (GIPSA). The stated mission of these programs is to "expand domestic and international marketing of U.S. agricultural products and to protect the health and care of animals and plants, by improving market competitiveness and the farm economy for the overall benefit of both consumers and American agriculture." For FY2003, the Administration requested \$879.2 million for USDA's three marketing and regulatory agencies compared with a total FY2002 appropriation of \$867.3 million (included emergency supplemental appropriations of \$119.1 million, intended to protect the food supply against agricultural terrorist threats). The House Appropriations Committee-reported bill (H.R. 5263) provides \$886.6 million for MRP, or \$19.3 million over FY2002 regular and supplemental appropriations. The Senate-passed omnibus appropriations bill provides \$885.1 million.

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**Animal and Plant Health Inspection Service.** The largest appropriation for marketing and regulatory programs goes to USDA's Animal and Plant Health Inspection Service (APHIS), the agency responsible for protecting U.S. agriculture from foreign pests and diseases. The Administration requested an FY2003 appropriation of \$775.3 million for APHIS, compared with a total FY2002 appropriation of \$746.8 million (including supplemental appropriations of \$119.1 million.) The budget request contained a one-time shift of \$26.7 million to cover GSA rental costs, but this is not included in Senate-passed omnibus appropriation of \$749 million. The amount in the omnibus bill is only \$200,000 higher than the appropriation contained in H.R. 5263. The omnibus measure provides a \$17 million increase in APHIS salaries and expenses for stepped-up border inspections. This function and up to 3,200 employees have been transferred to the new Department of Homeland Security under P.L. 107-296. Border inspection activities will continue to be paid for by user fees collected from passengers, importers, and shippers at U.S. ports of entry. USDA is to retain control of the user fees collected and to repay DHS for its border inspection costs from that source. The annual appropriation for border inspection is used primarily to purchase new equipment and train inspectors (including new additions to the Beagle Brigade). Beginning in FY2004, appropriations for these purposes will be made under the new Department's budget authority. (See CRS Report RL31466, *Homeland Security Department: U.S. Department of Agriculture Issues*).

The Senate-passed omnibus measure also contains a \$50 million increase for APHIS Animal Health Monitoring and Surveillance activities, in order to increase the agency's surveillance against and readiness for a biological attack against U.S. agriculture. In addition, the measure includes a \$30 million increase for managing emerging plant pests, a \$17 million increase for managing Johne's disease, and an \$18 million increase Wildlife Services (predator control) programs.

The omnibus measure contains an almost \$8 million increase for management of chronic wasting disease (CWD) in domestic and wild deer and elk in different regions of the United States. H.R. 5263, as reported, would require USDA and the U.S. Department of Interior (Fish and Wildlife Service and Park Service) to submit a detailed joint budget request for FY2004 in order to implement a nationwide CWD control plan. Separately, the House-passed version of the FY2003 Interior appropriations bill (H.R. 5093) made available \$2.7 million for the Biological Research arm of the U.S. Geological Survey to conduct CWD research. The Senate-passed omnibus bill (H.J.Res. 2) contains a \$1 million increase for ARS to expand its CWD investigations, and H.R. 5263 as reported provides \$1.5 million for the same purpose.

**Agricultural Marketing Service.** AMS is responsible for promoting U.S. agricultural products in domestic and international markets, and for facilitating the marketing and distribution of agricultural products. The Administration requested FY2003 appropriations of \$91.7 million for AMS, compared with \$86.8 million in FY2002. These levels include Section 32 funds, and payments to states and

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territories. Not included in the appropriated level are \$190 various user fees that also fund numerous AMS activities. The President's request included funding for expanding global marketing opportunities for agricultural commodities and for improving the Federal Seed program which monitors and controls seed labeling for domestic and foreign sales. The House committee-reported bill (H.R. 5263) provides \$91.96 million for AMS, which is \$5.2 million over FY2002 levels, and \$0.1 million over the Administration's request. The Senate-passed omnibus bill provides \$91.7 million, the Administration-proposed level. Included in the committee reports are provisions for increased funding of the pesticide and microbiological data programs.

**Grain Inspection, Packers, and Stockyards Administration.** GIPSA establishes the official U.S. standards, inspection and grading for grain and other commodities, and ensures fair-trading practices. GIPSA has also been working to improve monitoring of livestock markets, where concentration has raised concerns about decreasing competition. The Administration requested \$12.2 million for GIPSA in FY2003, down \$20.9 million from the \$33.1 million provided in FY2002. To cover the shortfall, the Administration had included a proposed increase of \$29 million in new user fees, which if enacted would be used to fund Packers and Stockyards Act inspections, and grain standard testing activities. However, neither the House nor Senate version assumes adoption of such user fees. H.R. 5263 and the Senate-passed bill increase GIPSA funding to \$44.7 million and \$44.5 million, respectively, an increase of more than \$11 million over FY2002. The House bill directs the Secretary to conduct a 2-year study on packer ownership of livestock (\$4.5 million).

For more information, see CRS Issue Brief IB10063, *Animal Agriculture Issues in the 107<sup>th</sup> Congress*.

## Rural Development

USDA's rural development mission is to enhance rural communities by targeting financial and technical resources in areas of greatest need. Three agencies, established by the Agricultural Reorganization Act of 1994 (P.L.103-354), are responsible for the mission area: the Rural Housing Service (RHS), the Rural Business-Cooperative Service (RBS), and the Rural Utilities Service (RUS). An Office of Community Development provides community development support through Rural Development's field offices. The mission area also administers the rural portion of the Empowerment Zones and Enterprise Communities Initiative and the National Rural Development Partnership.

The Senate-passed omnibus appropriations bill (H.J.Res.2) recommends \$2.739 billion in budget authority for rural economic and community development programs in FY2003. This is \$169.6 million more than was enacted for FY2002 (including a rescission) and \$83.8 million less than provided by the House Appropriations Committee-reported bill (H.R. 5263) for FY2003. It is also \$152.5 million more than the Administration request for FY2003. Funding in the House-reported bill and the

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Senate-passed measure supports a loan authorization level of \$9.68 billion and \$9.86 billion, respectively, in direct and guaranteed rural development loans, both of which are well above the Administration request for \$7.22 billion in loan authorization.

**Rural Community Advancement Program (RCAP).** The RCAP, authorized by the 1996 farm bill (P.L. 104-127), consists of consolidated funding for 13 rural development loan and grant programs in three accounts: Community Facilities, Rural Utilities, and Business and Cooperative Development. RCAP was designed to provide greater flexibility in targeting financial assistance to local needs and permits a portion of the various accounts' funds to be shifted from one funding stream to another. The Senate-passed measure provides \$867.2 million in budget authority for the three RCAP accounts, \$83 million less than the \$950 million provided in H.R. 5263, and \$60.6 million more than enacted for FY2002. Senate recommended funding is also \$75.7 million more than requested.

The Senate-passed measure provides funding of \$97.6 million for the Community Facilities account, over twice the level recommended by H.R. 5263; \$682.8 million for the Rural Utilities account; and \$86.8 million for the Rural Business Development account. House-recommended funding for the Rural Utilities account and the Rural Business Development account is \$815 million and \$93.4 million respectively. As with the House bill, most of the RCAP authorization in the Senate measure would support water and waste disposal grants in the Rural Utilities account, although at \$132 million less than in H.R. 5263.

Both the House and Senate measures earmark funding for water and waste disposal programs in Alaskan native villages (\$30 million), Federally Recognized Native American Tribes (\$24 million), and the *Colonias* (\$20 million) along the U.S.-Mexican border. Senate bill language also designates \$10 million to the Rural Community Development Initiative, \$4 million of which is provided to a demonstration program for Replicating and Creating Rural Cooperative Home Based Health Care and \$6 million for developing local capacity for private, non-profit organizations to improve housing, community facilities, and economic development projects for low-income rural communities. The Senate-passed measure designates \$30 million of RCAP funding to communities facing extremely high energy costs, and \$25 million for grants to facilities in rural communities with extreme unemployment and severe economic distress. Both measures provide \$37.6 million to empowerment zones and enterprise communities designated by the Secretary as Rural Economic Area Partnership (REAP) Zones. Most of the Senate's budget authority is for rural utility programs. The Senate measure recommends \$19.2 million for technical assistance grants to water and waste water systems. The House bill recommends \$17.5 million for these grants.

**Rural Housing Service.** The Senate-passed measure provides \$1.585 billion for the RHS in FY2003, \$110.8 million more than FY2002 and \$56.8 million more than the budget request. The Senate appropriation supports a total rural housing loan authorization level of \$3.932 billion. This loan authorization amount is \$619.3

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million less than in the House bill and \$553.7 million less than enacted for FY2002.

Senate budget authority is \$56.7 million more than requested. The loan authorization level reserves \$3.7 billion for Section 502 direct and guaranteed loans, \$35 million for Section 504 housing repair loans, \$5 million for Section 524 site loans, \$12 million for credit sales of acquired land, and \$5 million for Section 523 self-help housing and land development loans. The Senate did not recommend any loan authority for Section 538 multi-family housing guarantees. The amount requested for this housing program was \$100 million, approximately the same as recommended by the House bill. Of the total in loan authorization, the Senate also recommends that \$11.7 million be earmarked for empowerment zones, enterprise communities, and REAP Zones.

The Senate measure provides \$282.5 million in direct loan subsidies, most of which is for Section 502 single-family housing. This is \$21 million less than the House-reported bill, and \$33 million more than the Administration request. For Section 521 rental assistance, the Senate provides \$730 million, an increase of \$29 million over FY2002 and \$18 million more than in the House bill.

The Senate measure also contains \$10.8 million in direct loan subsidies for Section 515 rental housing, the same as requested. The House bill provides \$43 million more for Section 515 loan subsidies. The Senate provides \$120 million in loan authorization for Section 515 new housing construction, rehabilitation, and repair, negating the Administration's request that there be no new construction of Section 515 rental housing. This is a total of \$60 million more than requested and \$4.2 million more than recommended by the House bill. The Administration had requested no new construction until the Department completes a review of Section 515 multi-family housing. Senate language, however, states that a priority should be placed on long-term rehabilitation needs in the multi-family housing portfolio and encourages the Department to study Section 515 costs in comparison to other federal programs serving the same eligible rural population.

The Senate-passed measure contains \$34.6 million for farm labor housing grants and direct loans, the same as requested and \$3.4 million less than H.R. 5263. For rural housing assistance grants, the Senate provides \$47.5 million, \$5 million more than requested and than the House bill provides. Both the House and Senate measures recommend \$35 million for mutual and self-help housing grants, the same amount as enacted in FY2002 and \$1 million more than requested. The Senate also earmarks approximately \$1 million until June 2003 in both the mutual and self-help grants and rural housing assistance grant for empowerment zones, enterprise communities, and REAP Zones.

**Rural Utilities Service.** The Senate-passed measure provides \$108 million in budget authority and supports a loan authorization level of \$5.87 billion for rural utility programs. The Senate budget authority level for RUS programs is \$8 million more than the House level, \$23.3 million more than the Administration's request, and about the same as the enacted level in FY2002. The loan authorization is nearly

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\$500 million more than enacted in FY2002 and \$2.6 billion more than requested. It is also nearly \$800 million more loan authority than in the House bill. Almost all RUS loan authorization (\$5.56 billion) is designated for the rural electrification and telecommunications account. Part of this loan authorization also includes \$1 billion for guaranteed underwriting of a cushion of credit payments under Section 313A of the Rural Electrification Act of 1936. (7 U.S.C. 940(c)).

For the Rural Telephone Bank (RTB), both the House and Senate measures recommend a loan level of \$174.6 million. There was no Administration request. The RTB is required by law to begin privatization (repurchase of federally owned stock) in FY1996. House bill language includes the same provision from FY2002 to limit the retirement of Class A stock to 5%. The Senate measure does not include similar language.

In other RUS programs, the Senate provides loan subsidies and grants of \$51.9 million for the Distance Learning and Telemedicine program. This is \$2.5 million more than enacted in FY2002 and \$7.8 million more than in H.R. 5263. The loan authorization level for the program is authorized at \$129.5 million, \$26.9 more than requested, but \$250 million less than in the House bill and enacted in FY2002. Authorization of \$2 million in grants is also recommended for the Rural Teleworks Program. Both bills provide no funding for the Local Television Loan Guarantee program, whose loan level was authorized at \$258 million in FY2002. Both bills also provide no funding for direct loans. Through a \$20 million rescission, the FY2002 supplemental appropriations act (P.L. 107-206) provided \$8 million in additional funding for the Local Television Loan Guarantee Program account, to remain available until expended. Direct authorization of \$80 million for local television broadcast loan guarantees is also included in the 2002 farm bill (P.L. 107-171).

**Rural Business-Cooperative Service.** The House and Senate measures provide nearly identical amounts for the RBS accounts to support rural business development and expansion – \$50.658 million in H.R. 5263 and \$50.758 million in the H.J.Res. 2, which are both about \$15 million more than the Administration request. For rural development (intermediary relending) loans, the Senate provides funding for a total loan authorization level of \$40 million, the same as the budget request and the House bill.

Within the totals, both bills provide \$14.97 million for the Empowerment Zone/Enterprise Community Initiative, the same as enacted in FY2002. No funding for the program was requested. Funding for Rural Cooperative Development Grants is \$9 million in both bills, an increase of \$1.25 million above FY2002 and the same as requested by the Administration. The Senate also designates \$2.5 million of this grant funding to cooperative agreements for the Appropriate Technology Transfer Program.

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**Spending Restriction Provisions.** No funding is provided in either appropriations measure for the National Rural Development Partnership, which was authorized in the 2002 farm bill. The Senate-passed measure, however, encourages the Department to continue support for the program through available funds. It also makes two general provisions prohibiting the expenditure of funds to carry out the following two mandatory programs authorized by the 2002 farm bill (P.L. 107-171): (1) the Rural Strategic Investment Program and (2) the Rural Firefighters and Emergency Personnel Training Program. The Administration has recommended that funding for the Rural Firefighter program be eliminated for FY2003 and funding for the Value-Added Market Development Grants be limited to \$10 million (down from an authorized \$40 million). The savings from these two proposed cuts would be used to partially offset the cost of a new discretionary conservation technical assistance account, also recommended by the Administration but not adopted in either the House or Senate measures. The Senate report language also recommends budget authority not to exceed \$50 million for ethanol plant development. The House-reported bill does not contain any provisions to limit or prohibit funding for any mandatory rural development program.

For additional information on USDA rural development programs, see “Rural Development”, CRS Electronic Briefing Book page.

## Food and Nutrition

For FY2003, the Administration originally requested an appropriation of \$41.87 billion for all USDA food and nutrition programs, an increase of about \$4 billion above the FY2002 appropriation. The House Appropriations Committee-reported bill (H.R. 5263) provides \$41.97 billion for these programs, which is about \$100 million more than the original Administration request. The Senate-passed omnibus appropriations measure (H.J.Res. 2) provides \$41.93 billion; \$44 million less than the House level, but \$56 million more than the Administration’s original request. USDA food and nutrition programs provide federal funding and commodities to states for food assistance to children in schools and other children’s facilities, and for low-income individuals and families.

The Administration budget recommends a total of \$26.25 billion for *food stamps and related programs* for FY2003, \$3.25 billion more than FY2002. This includes food stamp program expenses, a reserve fund, nutrition assistance for Puerto Rico and Samoa and funding to buy commodities for the emergency food assistance program (EFAP). Both the House-reported and Senate-passed measures provide the same amounts for food stamp expenses and the food distribution program on Indian Reservations (FDPIR) – \$22.77 billion – and for a food stamp reserve fund (\$2 billion). However, the Administration request and the Senate measure contain \$1.377 billion for Puerto Rico and Samoa, while the House bill funds this at \$1.401 billion. According to the House committee report, this is because of additional mandatory spending required for these programs under the 2002 farm bill (P.L. 107-171). Funding to buy commodities for EFAP would be \$140 million under both S.

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2801 and H.R. 5263; the Administration proposed only \$100 million for this purpose, the same as in FY2002. The Administration budget anticipates food stamp participation growth of about 800,000 in FY2003, or about 4% above FY2002 for a total of 20.6 million persons in FY2003. The 2002 farm bill (P.L. 107-171) restored food stamp eligibility for legal immigrants residing in the U.S. for at least 5 years and changed the quality control system, employment rules, and deductions.

H.R. 5263 funds all *child nutrition programs* at \$10.576 billion, in concurrence with the Administration request. The Senate measure is slightly higher (\$10.58 billion), providing \$4 million in discretionary spending to continue school breakfast program start-up grants of \$3 million; \$200,000 for the Food Works of Vermont Common Roots program; and \$500,000 for an archive resource center at the National Food Service Management Institute. The funding levels projected under each of these budgets for the mandatory meal service programs are expected to maintain full program participation for the school lunch, breakfast, child and adult care food, summer food service, and special milk programs, as well as other related support activities.

The Senate-passed measure provides \$4.751 billion in FY2003 for the *special nutrition program for women, infants and children (WIC)*, \$289 million more than the FY2002 level of \$4.462 billion (including supplementals). The Senate level, which is the same as the original Administration request for FY2003, is projected to be able to serve a monthly average of 7.8 million low-income pregnant and postpartum mothers and young children. The House proposes \$4.776 billion for WIC in FY2003, \$25 million more than the Senate and \$50 million more than the most recent Administration request. The Administration revised its original WIC proposal, recommending that \$25 million be taken from the earlier proposed \$150 million reserve fund in order to help offset proposed increases in spending for conservation technical assistance and EEOC salaries and expenses. WIC reserve funds are provided in case costs to maintain caseload are higher than projected. The House and Senate measures maintain the \$150 million reserve that was provided for WIC in FY2002.

Funding for the *Commodity Assistance Program* (the term used by appropriators to refer to the *Commodity Supplemental Food Program (CSFP)* and for administrative funds for *the EFAP*) would decline under the Administration proposal – from \$149.5 million in FY2002 to just under \$145 million in FY2003. The House bill increases funding for these two programs to \$170 million in FY2003; of this amount, \$120 million would go for the CSFP and \$50 million for TEFAP administrative expenses. The House Appropriations Committee recommends that all of the increase go for the CSFP; TEFAP administrative costs would remain at the FY2002 level of \$50 million. The Senate measure is \$167 million below the House level and requires that \$5 million of the amount provided must be used for senior farmers' market activities.

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No FY2003 funding is requested in the USDA budget for the *elderly nutrition program* (or nutrition services incentive program), a food donation program that provides mostly cash-in-lieu of commodities to support meal programs for senior citizens. The Administration proposes to merge this program with the larger meal programs operated for senior citizens under the Older Americans Act by the Department of Health and Human Services. Both the House and Senate measures agree to the Administration proposal to zero out elderly program FY2003 funding for USDA (\$149.7 million in FY2002). *Pacific Island and Disaster Assistance* would continue to be funded at \$1.081 million under the Administration request and both bills.

Other nutrition program provisions in H.R. 5263 would: (1) provide \$4 million for Bill Emerson and Mickey Leland Hunger Fellowships, (2) permit the USDA Secretary to use up to \$10 million of food stamp funds designated for buying EFAP commodities for costs associated with the distribution of commodities, and (3) prohibit the use of any child nutrition, WIC, or food stamp funds from being used by the Food and Nutrition Service (FNS) to conduct studies or evaluations, with some exceptions. S. 2801 differs in several respects from these House proposals. The Senate-passed measure provides \$2.5 million for Emerson and Leland Hunger Fellowships, and permits the Secretary to use up to \$5 million of food stamp funds for costs associated with the distribution of commodities under EFAP. It also allows up to \$3.195 million for program evaluations and studies by the Food and Nutrition Service and not more than \$500,000 of this amount to be transferred to the Economic Research Service (ERS) of USDA. ERS is the unit that would conduct studies and evaluations under the House bill.

## **Food and Drug Administration**

The Food and Drug Administration (FDA), an agency in the Department of Health and Human Services (DHHS), is responsible for the regulation and safety of foods, drugs, biologics (mainly vaccines), and medical devices. The agency is funded by a combination of congressional appropriations and user fee revenues, assessed primarily for the pre-market review of pharmaceutical products. The total amount of drug user fees to be collected each year is set in FDA's annual appropriations act. The House-reported FY2003 appropriations bill provides \$1.385 billion for FDA, an increase of \$167 million over the \$1.369 billion appropriated for FY2002 (including an FY2002 supplemental of \$151 million), and \$8 million above the Administration's FY2003 request of \$1.377 billion. The Senate-passed omnibus appropriations measure (H.J.Res. 2) provides a total of \$1.395 billion, an amount \$10 million above the House level, \$25 million above the FY2002 appropriation (including the supplemental) and \$17 million over the request. As part of the appropriation, the House provides \$1.377 billion for salaries and expenses compared with \$1.384 billion in the Senate omnibus bill, and \$8 million for the maintenance of buildings and facilities compared with \$11 million in the Senate omnibus bill.

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The Prescription Drug User Fee Act (PDUFA), reauthorized in May 2002 as part of the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (P.L. 107-188), allows FDA to collect user fees for the review of drug and biologic applications. Both the House-reported bill and Senate-passed omnibus measure set the total amount of these fees for FY2003 at \$222.9 million. The new Medical Device User Fee and Modernization Act of 2002 (P.L. 107-250), signed by the President on October 26, 2002, authorized FDA to collect user fees on medical device applications as well. The Senate sets the user fees collected for medical devices at \$25.1 million for FY 2003; the House bill does not set any amount. The FDA also collects user fees from mammography clinics and export certificates; the Senate sets their FY 2003 total at \$22.5 million. The House bill does not specify an amount.

The House-reported total program level, including salaries and expenses, PDUFA user fees, and facilities amounts to \$1.608 billion. The Senate-passed omnibus total includes not only salaries and expenses, PDUFA fees, and facilities, but also the three fee programs, making the total \$1.665 billion, \$57 million more than the House.

For FDA counter-terrorism activities, the House-reported bill mirrors the President's FY2003 budget request of \$159.1 million while the Senate-passed measure provides \$152.3 million to continue activities initiated by the agency during the previous year relating to food safety, safe and effective medical products, and physical security.

The House and Senate provide different levels of funding in FY2003 for several budget categories. Both committees, for example, encourage the FDA to continue its support for the Office of Women's Health, thus ensuring that the agency's regulatory functions remain gender sensitive and responsive. The House set aside \$1.5 million in FY2003 for the office, while the Senate doubled the amount to \$3 million. The House fully funds the Administration's \$8.3 million request to upgrade its financial management system, but the Senate states that these funds were already provided in the FY 2002 budget through reprogramming, and as such, are no longer necessary. Both committee reports prohibit FDA from spending any money on several administrative actions involving agency personnel. One such restriction would stop the agency from transferring and consolidating its Offices of Public Affairs and Legislation to DHHS. These offices issue public information regarding the safety of foods, drugs, vaccines, and medical devices. Officials in these offices rely on the expertise found in other parts of the agency, and, as such, both committees want the offices to remain with the agency.

## **Food Issues**

The House committee bill did not specify a funding level for food safety; however, the Senate omnibus bill, noting the expansion of FDA activities under the category of "Food Safety Initiative," recommends a total of \$502.3 million for this

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purpose. House report language requests a summary of the case-controlled studies that link naturally-occurring bacterial pathogens to specific foods – i.e., *E. coli*, *Salmonella*, *Campylobacter*, and *Listeria* found on meat, poultry, eggs, seafood, fruits and vegetables. In addition, both bills support further progress in the detection of the pathogens; the Senate provides \$2 million for FDA to continue the evaluation of new testing methods for pathogens at New Mexico State University.

The House committee, in its report, expresses displeasure with the agency's failure to produce a report detailing how the FDA allocates money to the National Antimicrobial Resistance Monitoring System (NARMS) activities and overhead costs. The House committee wants the report within 60 days of enactment of the FY2003 appropriations bill. The Senate does not ask for a report, but still notes that NARMS data should be unbiased, timely, and accurate.

Both the House and Senate are concerned about seafood safety. As such, they direct FDA to spend \$250,000 to continue its support for shellfish safety research, including advancing new technologies and a study on *Vibrio vulnificus*, a pathogen found in raw oysters. Both chambers want FDA to continue working with the Interstate Shellfish Sanitation Conference to develop regulations, and information on shellfish. The Senate wants FDA to be mindful of the history of Hawaii's seafood industries, and take special care when the agency inspects seafood plants in Hawaii for compliance with the Hazard Analysis and Critical Control Point (HACCP) regulations. The Senate also wants seafood HACCP inspections to continue in Alaska.

The House directs FDA to enforce U.S. dietary supplement laws, and stop makers of the so-called herbal product "Siberian ginseng" from labeling and referring to the product as "ginseng." The Senate is interested in the potential positive health benefits of Omega 3, a fatty acid, quantities of which are found in salmon. As such, the Senate wants the agency to report by April 15, 2003, on whether canned and fresh salmon should be labeled to reflect the health benefits of Omega 3. The Senate wants FDA to enforce milk protein standards of identity.

The House committee lauded FDA for its recent statement that adverse event reports (AERs) concerning dietary supplements containing ephedrine alkaloids do not alone provide a scientific basis for assessing the safety of the herbal and supplement products. Ephedrine alkaloid, a central nervous system stimulant, is an active ingredient in a variety of dietary supplements and over-the-counter medications. The Senate, concerned about AERs as well, provides \$7.6 million for the food center's adverse event system – called CAERS. Of this amount, the Senate wants FDA to spend \$2 million on reviewing botanicals in dietary supplements.

Noting FDA's involvement with international trade issues, the Senate directs FDA to spend \$2.1 million in support its activities in the international food standard setting organization, the Codex Alimentarius Commission. It also directs the agency

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to fund adequately visits to foreign countries to educate regulators on the safety evaluations of biotechnology.

## Drug Issues

The House and Senate committees both recognized that the timely approval of generic drugs is an important factor in addressing the rising cost of prescription drugs. To this end, the Senate provides \$45.3 million for FDA's generic drug program, an increase of \$6.1 million over the FY2002 baseline level of \$39.3 million, and \$1.5 million more than the budget request. The House committee recommends a \$4.58 million increase for the program. Both committees expect FDA to review 75% of the abbreviated new drug applications (ANDAs) for generic drugs within 6 months of submission. The House committee, however, wants the agency to come up with a plan describing how it will review 100% of ANDAs within 180 days of submission, including the resources the program would need to increase inspections, and upgrade its infrastructure and technological requirements. The House committee also recommended \$400,000 to continue FDA's education program regarding the importance of generic drugs, particularly studies on consumer education. Both the House and Senate committees encourage the agency to issue a guidance clarifying when drug patents should be listed in the *Orange Book*, the official FDA publication for information concerning pharmaceutical patents. Also, the House committee wants to ensure that the Office of Drug Safety receives at least a \$5 million increase for FY2003, as authorized by the 2002 bioterrorism act, to continue its post marketing surveillance for pharmaceuticals.

## Medical Device Issues

Both committees were concerned about delays in review for new medical devices and the impact this was having on the health of Americans. In last year's appropriations conference report, Congress directed FDA to provide an update of its medical device review performance (compared to the 180-day statutory requirements for application decisions), to the House committee in January and July 2002. To date, the updated report has not been submitted. The House committee directs the FDA to develop a plan to eliminate the medical device performance gap within 90 days of enactment. The plan must include an estimate of the resources needed, and specify how the agency would meet statutory timeframes for application reviews and inspections, and what infrastructure and technology upgrades would be required. The House committee noted that many applications for medical devices are for combination products that involve consultation with FDA's Center for Biologics Evaluation and Research (CBER). The House committee asks for a report by May 31, 2003, on the prevalence of combination products and how their review times compared with standard medical devices.

The Senate, in contrast, provides an increase of \$8 million from the FY2002 level for activities related to the pre-market review of medical devices, the money to be used solely for pre-market reviews. Moreover, the Senate calls for a report,

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within 90 days, describing how these funds will be spent, including the number of employees that will be hired, a description of their duties, and the effects the funds will have on pre-market review times. Also, the Senate expresses concern that FDA may consider allowing a single pre-market submission for reprocessing of multiple models of certain medical devices, and, as such, urges the agency to require a pre-market submission for every model that is to be reprocessed, if an application was required for the original device. The Senate also directs FDA to adequately fund patient safety activities related to implanted medical devices. The committee encourages DHHS to ensure that products used in vaccination efforts by health care providers and first responders are latex free. Additionally, it encourages FDA to finalize its 1999 proposal to reclassify all surgeon's and patient examination gloves as Class II devices.

## **Biologics Issues**

The House committee encourages the Center for Biologics Evaluation and Research to allocate adequate resources for the Office of Blood Research and Review to promote the timely review of new intravenous immune globulin (IGIV) products that have been submitted for licensure using the revised clinical trial protocol. In addition, the House committee wants the FDA to develop a feasibility plan for a 'Fast-Track' program to hasten the awarding of Investigational New Drug status to new vaccine candidates, particularly HIV vaccines, and submit a progress report on implementing the program by March 1, 2003. The Senate is concerned about the safety of human tissue processing. Since 1997, FDA has proposed several new regulations dealing with the registration of tissue processors, the listing of tissue products, and good manufacturing practices. FDA has finalized only the rule dealing with registration and listing, so far. As such, the Senate directs the the agency to finalize the tissue safety rules within 9 months of enactment.

The Senate committee is also concerned about blood safety and availability, in particular the impact of recent policies to defer (i.e., disqualify) donors as a precaution against the transmission of infectious diseases. As such, the committee urges the agency to address these issues, and consider modifying its donor deferral criteria if serious blood shortages continue.

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**Table 3. USDA and Related Agencies Appropriations for FY2003**

(Budget Authority, in Millions of \$)

Agency or Major Program	FY2002 Enacted (1)	FY2003 Administration Request (2)	FY2003 House Comm. Bill (H.R. 5263)	FY2003 Senate-Passed Omnibus (H.J.Res. 2) (3)	FY2003 Enacted
<b>Title I — Agricultural Programs</b>					
Agric. Research Service (ARS)					***
Regular Appropriation	1,098.5	988.0	1,097.5	1,154.6	
Supplemental Appropriations	138.0	0	0	0	
Coop. State Research Education and Extension Service (CSREES)	1,027.6	1,020.6	1,062.3	1,155.9	***
Economic Research Service (ERS)	67.2	79.2	73.3	65.1	***
National Agricultural Statistics Service (NASS)	113.8	143.7	137.9	140.9	***
Animal Plant Health and Inspection Service (APHIS)					***
Regular Appropriation	627.7	775.3	749.1	748.9	
Supplemental Appropriation	119.1	0	0	0	
Agric. Marketing Service (AMS)	86.8	91.7	92.0	91.7	***
Grain Inspection , Packers and Stockyards Admin. (GIPSA)	33.1	12.2 (4)	44.7	44.5	***
Food Safety and Insp. Serv (FSIS)					***
Regular Appropriation	715.6	763.0	755.8	759.8	
Supplemental Appropriation	15.0	0	0	0	
Farm Service Agency (FSA) Salaries and Expenses	939.0	993.6	976.7	986.9	***
FSA Farm Loans - Subsidy Level	187.6	212.1	212.1	243.8	***
<i>*Farm Loan Authorization</i>	<i>3,890.7</i>	<i>3,802.0</i>	<i>3,802.0</i>	<i>4,065.7</i>	<i>***</i>
FSA Farm Loans- Salaries and Administrative Expenses	280.6	287.2	287.2	287.2	***
Emergency Conservation Program	0	48.7	0	0	
Risk Management Agency (RMA) Salaries and Expenses	74.75	72.8	70.7	70.7	***
Federal Crop Insur. Corp. Fund (5)	2,900.0	2,886.0	2,886.0	2,886.0	***
Commodity Credit Corp. (CCC) (5)	20,279.0	16,285.0	16,285.0	16,285.0	***
Other :					***
Regular Appropriation	478.5	541.0	642.7	600.5	
Supplemental Appropriation	80.9	0	0	0	

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Agency or Major Program	FY2002 Enacted (1)	FY2003 Administration Request (2)	FY2003 House Comm. Bill (H.R. 5263)	FY2003 Senate-Passed Omnibus (H.J.Res. 2) (3)	FY2003 Enacted
<b>Total, Agricultural Programs</b>					
<b>Regular Appropriation</b>	<b>28,899.7</b>	<b>25,197.0</b>	<b>25,373.4</b>	<b>25,521.5</b>	<b>***</b>
<b>Supplemental Appropriations</b>	<b>353.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Title II — Conservation Programs</b>					
Conservation Operations	779.0	841.0	843.6	840.0	***
Watershed Surveys and Planning	11.0	0	11.2	11.0	***
Watershed & Flood Prevention					
Regular Appropriation	106.6	0	110.0	105.0	***
Supplemental Appropriation	94.0	0	0	0	
Watershed Rehabilitation Program	10.0	0	0	30.0	***
Emergency Watershed Protection	0	110.0	0	0	***
Resource Conservation & Developm.	48.0	49.1	55.1	50.0	***
Forestry Incentives Program	6.8	0	0	0	***
<b>Total, Conservation</b>					<b>***</b>
<b>Regular Appropriation</b>	<b>962.1</b>	<b>1,000.9</b>	<b>1,020.6</b>	<b>1,036.9</b>	
<b>Supplemental Appropriation</b>	<b>94.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Title III — Rural Development</b>					
Rural Community Advancement Program (RCAP)	806.6	791.5	950.3	867.2	***
Salaries and Expenses	133.7	145.7	145.7	127.5	***
Rural Housing Service (RHS)	1,474.5	1,528.5	1,576.0	1,585.3	***
* <i>RHS Loan Authority</i>	<i>4,485.8</i>	<i>3,924.3</i>	<i>4,551.5</i>	<i>3,932.2</i>	<i>***</i>
Rural Business Cooperative Serv.	46.6	35.8	50.7	50.8	***
* <i>RBCS Loan Authority</i>	<i>53.1</i>	<i>55.0</i>	<i>55.0</i>	<i>55.0</i>	<i>***</i>
Rural Utilities Service (RUS)					***
Regular Appropriation	120.0	84.6	99.9	107.9	
Rescission	(12.0)	0	0	0	
* <i>RUS Loan Authority</i>	<i>5,378.6</i>	<i>3,272.6</i>	<i>5,070.7</i>	<i>5,870.3</i>	<i>***</i>
<b>Total, Rural Development</b>					<b>***</b>
<b>Regular Appropriation</b>	<b>2,581.9</b>	<b>2,587.1</b>	<b>2,823.3</b>	<b>2,739.5</b>	
<b>Rescission</b>	<b>(12.0)</b>	<b>0</b>	<b>0</b>	<b>0</b>	
* <i>Rural Development, Total Loan Authority</i>	<i>9,917.6</i>	<i>7,224.9</i>	<i>9,677.2</i>	<i>9,857.4</i>	<i>***</i>

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Agency or Major Program	FY2002 Enacted (1)	FY2003 Administration Request (2)	FY2003 House Comm. Bill (H.R. 5263)	FY2003 Senate-Passed Omnibus (H.J.Res. 2) (3)	FY2003 Enacted
<b>Title IV — Domestic Food Programs</b>					
Child Nutrition Programs	10,087.2	10,576.2	10,576.2	10,580.2	***
WIC Program					***
Regular Appropriation (6)	4,348.0	4,751.0	4,776.0	4,751.0	
Supplemental Appropriations	114.0	0	0	0	
Food Stamp Program					***
Regular Appropriation	22,992.0	26,249.7	26,313.7	26,289.7	
Rescission	(24.0)				
Commodity Assistance Program (7)	149.5	145.0	170.0	167.0	***
Food Donation Programs	150.7	1.1	1.1	1.1	***
Food Program Administration	127.5	148.0	134.2	136.9	***
<b>Total, Food Programs</b>					***
<b>Regular Appropriation</b>	<b>37,855.6</b>	<b>41,871.7</b>	<b>41,971.9</b>	<b>41,926.6</b>	
<b>Supplemental Appropriations</b>	<b>114.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Rescission</b>	<b>(24.0)</b>				
<b>Title V — Foreign Assistance</b>					
Foreign Agric. Service (FAS)	121.8	131.7	130.0	131.2	***
Public Law (P.L.) 480	998.7	1,314.0	1,357.1	1,328.4	***
Supplemental Appropriation				500.0	
CCC Export Loan Salaries	4.0	4.1	4.1	4.1	***
<b>Total, Foreign Assistance</b>	<b>1,124.5</b>	<b>1,449.7</b>	<b>1,491.1</b>	<b>1,964.4</b>	***
<b>Title VI — FDA &amp; Related Agencies</b>					
Food and Drug Administration					**
Regular Appropriation	1,218.0	1,377.4	1,384.7	1,394.5	
Supplemental Appropriation	151.1	0	0	0	
Commodity Futures Trading Commission (CFTC)					***
Regular Appropriation	70.7	46.9	80.0	94.0	
Supplemental Appropriation	16.9	0	0	0	
<b>Total, FDA &amp; CFTC</b>					***
<b>Regular Appropriations</b>	<b>1,288.7</b>	<b>1,424.3</b>	<b>1,464.6</b>	<b>1,498.2</b>	
<b>Supplemental Appropriations</b>	<b>168.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Other Provisions (8)	118.9	0	118.2	24.5	***
Senate Bill: Emergency Relief				3,100.0	***

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Agency or Major Program	FY2002 Enacted (1)	FY2003 Administration Request (2)	FY2003 House Comm. Bill (H.R. 5263)	FY2003 Senate-Passed Omnibus (H.J.Res. 2) (3)	FY2003 Enacted
<b>Total, before adjustments:</b>					***
<b>Regular Appropriations</b>	73,035.7	73,505.6	74,263.1	74,201.1	
<b>Supplemental Appropriations</b>	535.0	0	0	3,600.0	
<b>Rescissions (3)</b>	(47.3)	0	0	<u>Unavailable</u>	
<b>Grand Total</b>	73,523.4	73,530.6	74,263.1	<u>Unavailable</u>	
CBO Scorekeeping Adjustments <sup>(9)</sup>	108.4	531.8	42.8	Unavailable	***
<b>Grand Total, Including CBO Scorekeeping Adjustments and Emergency Spending</b>	73,631.8	74,062.4	74,305.9	Unavailable	***

**Source:** Based on spreadsheets provided by the House Appropriations Committee

An item with a single asterisk (\*) represents the total amount of direct and guaranteed loans that can be made given the requested or appropriated loan subsidy level. Only the subsidy level is included in the totals.

\*\*\* = Action Pending

(1) FY2002 enacted levels include amounts appropriated in the regular FY2002 agriculture appropriations act for USDA and related agencies (P.L. 107-76), the \$535 million in emergency supplemental funding in P.L. 107-117, and the \$158 million in net non-contingent appropriations (after \$44 million in rescissions) made in P.L. 107-206.

(2) Agency totals do not include the cost of the Administration's legislative proposal to require all federal agencies to pay the full share of accruing employee pensions and annuitant health benefits beginning in FY2003. However, the CBO-estimated cost of this proposal (\$368 million in FY2003 for USDA, FDA, and CFTC) is included at the end of the table in the scorekeeping adjustments of the FY2003 request.

(3) H.J.Res. 2, as passed by the Senate, includes an estimated across-the-board 2.9% rescission in all discretionary accounts in the resolution. To date, it is not certain how the rescission would affect individual accounts. Therefore, this table does not reflect the rescission on USDA and related agency programs and accounts. Recorded in this column are the two adopted floor amendments that affect USDA spending: \$3.1 billion in disaster assistance and \$500 million in P.L. 480 international food aid.

(4) The Administration's request assumes enactment of new inspection and licensing user fees totaling \$29 million.

(5) Under current law, the Commodity Credit Corporation and the Federal Crop Insurance Fund each receive annually an indefinite appropriation ("such sums, as may be necessary"). The amounts shown for both FY2002 and FY2003 are USDA estimates of the necessary appropriations.

(6) The Administration request does not include a January 2003 budget amendment to reduce the WIC reserve request by \$25 million in FY2003, from the original requested amount.

(7) Includes an adopted \$3.3 million rescission in the FY2002 enacted level.

(8) Among other FY2002 provisions, includes \$75 million in apple market loss assistance, and an extension of the authority for the dairy price support program for 5 months (scored by CBO at \$15 million).

**Note:** The Senate-passed omnibus appropriations measure for FY2003 (H.J.Res.2) includes a Congressional Budget Office-estimated 2.85% rescission of total discretionary spending in the measure, to offset the cost of various adopted amendments. Figures in this report do not include the rescission, since the effect of the rescission on individual accounts is currently unknown.

(9) Scorekeeping adjustments reflect the savings or cost of provisions that affect mandatory programs, plus the permanent annual appropriation made to USDA's Section 32 program. The cost of the Administration proposal to require all federal agencies to pay the full share of current employee pensions and annuitant health costs is also included in the scorekeeping adjustments of the FY2003 Administration request.

## For Additional Reading

CRS Briefing Book. *Agriculture Policy.*

CRS Issue Brief IB98006. *Agricultural Export and Food Aid Programs.*

CRS Report 98-325. *Agricultural Research, Education, Extension and Economics Programs: A Primer.*

CRS Issue Brief IB10077. *Agricultural Trade Issues in the 107<sup>th</sup> Congress.*

CRS Report 98-25. *Child Nutrition Programs: Background and Funding.*

CRS Report RL31095. *Emergency Spending for Agriculture: A Brief History of Congressional Action, FY1989-2001.*

CRS Report RS21212. *Farm Disaster Assistance.*

CRS Report RL30739. *Federal Crop Insurance and the Agriculture Risk Protection Act of 2000 (P.L. 106-224).*

CRS Report 98-59. *Food Stamps: Background and Funding.*

CRS Report RL31466, *Homeland Security Department: U.S. Department of Agriculture Issues.*

CRS Issue Brief IB96030. *Soil and Water Conservation Issues.*

***Note: The Senate-passed omnibus appropriations measure for FY2003 (H.J.Res.2) includes a Congressional Budget Office-estimated 2.85% rescission of total discretionary spending in the measure, to offset the cost of various adopted amendments. Figures in this report do not include the rescission, since the effect of the rescission on individual accounts is currently unknown.***