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OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

September 19, 2005
(Senate)

STATEMENT OF ADMINISTRATION POLICY

H.R. 2744 -- Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill, FY 2006

(Sponsors: Cochran (R) Mississippi; Byrd (D) West Virginia)

The Administration appreciates that the House and Senate Appropriations Committees have reported this bill in a timely manner. The Administration is opposed to the overall funding level provided in the Senate-reported Agriculture appropriations bill because it exceeds the President's request by \$0.4 billion.

The Administration is committed to working with Congress to ensure the overall discretionary spending limit is not breached; that the Department of Defense is adequately funded; and that non-security related spending is reduced below last year's level. The Administration is concerned that the spending limits reflected in the Senate 302(b) allocations would result in an unacceptable shift of over \$7 billion from critical defense requirements to non-security related accounts, including \$0.4 billion to accounts within the jurisdiction of the Agriculture subcommittee when adjusted for the Strengthening America's Communities Initiative.

The Administration appreciates that Congress has acted swiftly to address the emergency requirements to meet immediate needs arising from the consequences of Hurricane Katrina and looks forward to working with Congress to fund our long-term recovery efforts in the Gulf Coast and other affected regions. The Administration anticipates making further requests that will provide for a comprehensive response and recovery effort after fully assessing the impact of the hurricane, and would oppose efforts to include emergency funding for Hurricane Katrina farm assistance in this bill.

The 2002 Farm Bill provided a comprehensive safety net for farmers to assist them during times of economic hardship and natural disasters, and therefore the Administration would oppose amendments providing disaster assistance for farmers nationwide that is not fully offset by other agriculture spending.

The Administration would like to take this opportunity to share additional views regarding the Senate version of the bill.

Achieving Permanent Savings

The 2002 Farm Bill contained mandatory funding for a number of programs that had been traditionally funded through discretionary appropriations. Since enactment of that

legislation, savings have been routinely claimed by delaying mandatory funding for one year. As a result of these funding delays, discretionary savings have been credited when no reduction in spending has been fully implemented. For example, the Committee has delayed the expenditure of \$100 million in one-time funding provided in the Farm Bill for the Rural Strategic Investment Program. The same \$100 million in savings has been claimed in each of the past three years by including similar language. In 2005, this practice was used to delay a total of \$1.28 billion in mandatory obligations in the Agriculture Appropriations bill. The Administration urges the Senate to achieve permanent savings by canceling, rather than temporarily blocking, the funding for this and other mandatory programs included in the bill.

Savings Opportunities

The President's Budget included a number of terminations and reductions to programs that have not demonstrated results for the taxpayer, duplicate current efforts, or do not fulfill essential priorities. In particular, the Administration urges the Senate to accept the reductions proposed for the Resource Conservation and Development Program; the Watershed and Flood Prevention Operations Program; the Market Access Program; high-cost energy grants; and non-competitively awarded research grants. In addition, the Administration has re-estimated the cost of WIC, and lowered the estimated requirements level by \$300 million. Funds from these requested reductions and the revised WIC funding level could be used to offset increases for higher-priority programs.

Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

The Administration supports the Committee's extension of the current prohibition on new WIC-only vendors, which will provide States with time to implement vendor-cost-containment regulations that the U.S. Department of Agriculture (USDA) will publish this fall. We urge the Congress to adopt the Administration's proposal to constrain the growth in WIC administrative funding and to eliminate funding for State information systems that was not included in the President's Budget.

Food and Agriculture Defense Initiative

The Administration appreciates the Committee's support of some of the requested increases for the Food and Agriculture Defense Initiative, in particular the remaining funding needed for construction of the animal-health facility in Ames, Iowa. The Administration urges the Senate to provide the full funding requested for this Initiative, including funding for the Food Emergency Response Network; the National Vaccine Bank; expansion of food safety laboratory testing capabilities; and the regional diagnostic laboratories. The Food and Agriculture Defense Initiative is critical to improving the Nation's ability to rapidly identify, characterize, and defend against potential bioterrorist attacks.

Multifamily Housing Programs

The Administration is concerned that the level of funding provided for the multifamily housing voucher program would not allow USDA to provide vouchers to all tenants that are

faced with possible displacement in FY 2006. Due to a recent Supreme Court decision allowing private entities to pull housing units out of USDA's rural housing program and, potentially, price poorer tenants out of their apartments, the President proposed a new \$214 million voucher program to allow such tenants to remain in their homes or obtain other affordable housing. The voucher is good for five years. At a minimum, the Senate should fund the request at \$75 million, the full cost of 15,000 one-year vouchers. Additional funds could be obtained by not providing the funding for two multifamily housing pilot programs to address dilapidation in the section 515 multifamily housing portfolio. The Administration's highest priority in FY 2006 is addressing the displaced tenants.

Food Aid

The Administration appreciates the level provided by the Senate for P.L. 480 Title II food aid. However, the Administration is concerned that the Senate State/Foreign operations appropriations bill does not include the request for \$300 million for emergency cash food aid. Taking the Senate State/Foreign Operations bill and the Agriculture bills together, the total provided in the Senate for combined USAID-administered food aid request in these two bills is actually a cut from last year's level. Given the demands the Administration expects will be placed on this account in the coming fiscal year, the Administration urges the Senate to fund P.L. 480 Title II at this year's combined request level of \$1,185 million and to include authority to use a portion of this appropriation for cash food aid. In addition, the Administration urges the Senate to provide the \$75 million requested for reimbursement of the Bill Emerson Humanitarian Trust to ensure adequate resources are available should an unforeseen food aid emergency occur. Offsets for this request were provided.

High Priority Information Technology Funding

The Administration appreciates that the committee bill provides a funding increase for the Common Computing Environment. However, due to the expense of implementing the Farm Service Agency's geographical information system activities, additional funds are critical. The Administration urges the Congress to fully fund priority information technology projects, including the discretionary amount requested for the Department's planned replacement system for commodity procurement. Reduced funding will impede USDA's efficiency and negatively impact the agency's ability to provide services. The Administration's request included adequate discretionary funding for information technology, thus avoiding the need to use mandatory funds.

USDA's Competitive Research

The 2006 Budget proposes to improve the effectiveness of research grant programs through an increased emphasis on competitive peer-reviewed grants. The Administration's proposal would provide a significant increase in the National Research Initiative to \$250 million, the establishment of a new \$75-million program to specifically respond to State, local, and regional research needs, and the elimination of the artificial cap on indirect costs that has placed USDA competitive research at a disadvantage compared to other Federal programs. Funding for these proposed increases comes from reductions in formula assistance, which is not allocated to

institutions on a competitive basis. The Congress is strongly urged to seriously consider and fund the Administration's agriculture research reform proposal.

Wetlands Reserve Program

The Administration strongly opposes the section 734 limitation on the number of acres that USDA may enroll into the Wetlands Reserve Program (WRP) during 2006. The WRP is USDA's primary conservation program for restoring and protecting priority wetland acreage, and is a major contributor to the President's goal to restore, improve, and protect three million acres of wetlands over five years. Over the last year, WRP has helped restore or create 123,300 wetland acres. The President's 2006 Budget anticipates enrolling 200,000 acres into WRP and, at this level of enrollment, USDA estimates it will restore or create another 123,300 acres next year. This section limits the Department's ability to contribute to this goal, and the Administration urges the Senate to delete the provision.

General Provisions

The Administration opposes section 770 of the bill which would permanently expand a demonstration program in the Summer Food Service Program to an additional seven States at a cost of \$8 million over five years. The Administration is concerned that only the FY 2006 costs of \$1 million are scored against the bill and does not support further expansion of the demonstration project prior to completion of an evaluation of the existing demonstration mandated by the Child Nutrition and WIC Reauthorization Act of 2004.

Competitive Sourcing

The Administration strongly opposes section 746 of the bill, which prevents the Department from improving the management of rural development or farm loan programs through competitive sourcing. The Administration has adopted a reasoned and responsible approach for applying public-private competition to commercial activities. For example, in FY2004, the Department completed competitions that are expected to save taxpayers \$179 million over the next five years; government-wide efforts for FY 2004 are expected to save \$1.4 billion over three to five years. The Administration urges the Senate to eliminate this provision.

Management Challenges

The Administration appreciates the funding level provided in the bill for the Farm Service Agency's (FSA) Salaries and Expenses account. FSA provides a vital source of outreach to rural America, and as the agency works to adapt with the changing rural landscape, the Administration urges the Congress to provide FSA with the flexibility necessary to modernize and streamline its operations while maintaining program delivery.

Potential Floor Amendments: Travel to Cuba and Drug Reimportation

The Administration would strongly oppose any provision that might be added on the Floor that would weaken existing sanctions against the Cuban government, including any

provision that would permit general licenses for travel to Cuba related to commercial exports of agricultural and medical goods. The Administration believes that these sanctions, and related procedures designed to ensure that travel to Cuba is consistent with the law, are critical to its goal of denying resources to the Castro dictatorship. Cuba's trade and tourism with other nations has sustained the Castro regime and brought neither freedom nor prosperity to ordinary Cubans. In the absence of fundamental change on the island, the Administration believes that weakening or ending U.S. sanctions could serve only to bolster the dictatorship at the expense of the Cuban people.

The Administration would also strongly oppose any provision that might be added on the Senate Floor regarding the importation of prescription drugs that does not address the very serious safety concerns identified in the December 2004 Department of Health and Human Services Task Force Report on Prescription Drug Importation. The Administration believes that allowing importation of drugs outside the current safety system established by the Food and Drug Administration without addressing these serious safety concerns would threaten public health and result in unsafe, unapproved, and counterfeit drugs being imported into the United States.

As a result, if any such provisions were included in the final version of the bill presented to the President, the President's senior advisors would recommend that he veto the bill.

Constitutional Concerns

Section 715 purports to prohibit the use of funds to transmit to any non-USDA employee "questions or responses to questions that are a result of information requested for the appropriations hearing process." This section could impede communications within the Executive Branch, and could undercut the President's constitutional duty to "take care that the Laws be faithfully executed." The Administration urges the Senate to delete the provision.

Section 719 purports to limit Executive Branch appropriations proposals to preclude those which assume revenues or reflect a reduction from the previous year due to user-fee proposals that have not been enacted into law. This provision would violate the Recommendations Clause in that it purports to limit the President's constitutional authority to make such recommendations as he deems "necessary and expedient," and the Administration urges the Senate to delete the provision.

The Administration objects to a number of provisions in the bill, including sections 705, 716, and 731, and sections under the heading "Food and Drug Administration, Salaries and Expenses," which purport to require Committee approval before Executive Branch execution. These provisions should be changed to require only notification of Congress, since any other interpretation would contradict the Supreme Court's ruling in *INS v. Chadha*.

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