



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

December 5, 2006
(Senate)

STATEMENT OF ADMINISTRATION POLICY

H.R. 5384 -- Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill, FY 2007

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

The Administration supports Senate passage of the FY 2007 Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill, as reported by the Senate Committee.

The President's FY 2007 Budget holds total discretionary spending to \$873 billion and cuts non-security discretionary spending below last year's level. The Budget funds priorities and meets these limits by proposing to reform, reduce, or terminate 141 lower-priority programs.

The Administration urges Congress to fund priority needs while holding spending to these limits, and strongly opposes the inappropriate use of emergency funding designations or other measures that circumvent the discretionary topline to meet these limits. If the President is presented with a bill that his senior advisors believe would result in total 2007 appropriations exceeding the \$873 billion topline, the President's senior advisors would recommend he veto that bill. The Administration is also concerned that the increases in this bill, combined with planned increases for non-security discretionary spending in other bills could lead to unacceptable reductions in the Department of Defense's budget in order to live within the \$873 billion topline. If the President is presented with a bill that reduces funding for programs within the enacted FY 2007 Defense Appropriations Act, the President's senior advisors would recommend he veto that bill.

Although the bill is largely supportive of the President's request, the Administration would like to take this opportunity to share additional views regarding the Committee's version of the bill.

Ad hoc Farm Payments

The Administration strongly opposes the Senate's agricultural assistance proposal, the cost of which could exceed \$4 billion. The 2002 Farm Bill, when combined with crop insurance, was designed to eliminate the need for *ad hoc* disaster assistance. Significant assistance has already been provided to farmers affected by last year's hurricanes through existing programs and the recent emergency supplemental, such as over \$1 billion through the emergency conservation programs of the U.S. Department of Agriculture (USDA). Many crops had record or near record production last year, and the value of total U.S. farm sector production was the second highest ever. Additionally, government subsidized crop insurance is broadly applicable to those farmers that did suffer losses. Furthermore, the proposed level of funding is excessive,

and some of the programs are designed in such a way that producers will be overcompensated for their losses. Nearly half the “disaster” assistance in the proposal is not tied to any production losses at all, but rather provides additional payments for major crop producers already receiving generous direct payments and for dairy producers as well. Finally, the proposal is designated as emergency spending and is not offset from existing agriculture spending. Any new agriculture assistance spending must be provided within budgetary limits and fully offset from existing agriculture spending. If the President is presented with a bill that includes this agricultural assistance proposal, the President’s senior advisors would recommend that he veto the bill.

Cuba Provisions

The Administration opposes section 755 of the bill that would weaken existing sanctions against the Cuban government, by directing the Secretary of the Treasury to promulgate general licenses for travel to Cuba related to commercial exports of agricultural and medical goods. Under existing regulations, the Department of the Treasury can provide specific licenses for travel to engage in activities directly related to the marketing and sale of agricultural and medical products, which may be considered for authorization by the Department of Commerce and meet requirements for cash payment or third-country financing. The Administration strongly opposes legislative efforts to undermine current U.S. policy with regard to Cuba, which is designed to deny resources to a brutal, repressive regime. The licensing process for travelers helps to ensure that travel to Cuba serves appropriate purposes and that sales to Cuba are done within the boundaries of the law. Cuba’s trade with other nations has brought no change to Fidel Castro’s despotic practices, because the benefits accrue not to the Cuban people but to the dictator who represses them. If a provision designed to weaken existing sanctions against Cuba is included in the final version of the bill presented to the President, he would veto the bill.

Drug Reimportation

The Administration would 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.

Farm Bill Program Extensions

The Administration strongly opposes the provision extending the peanut storage program beyond the length of the other Farm Bill programs, and would strongly oppose a floor amendment that would extend the recently reauthorized Milk Income Loss Contract program beyond the other Farm Bill programs. Together these provisions would increase the deficit by more than \$1.6 billion over the next five years. However, by including these provisions in an appropriations bill, these significant out year cost implications would not be fully considered or offset.

Conservation

The Administration appreciates the Senate Committee's support for the Wetlands Reserve Program (WRP). The WRP is a major contributor to the President's wetlands initiative to restore, enhance, and protect three million acres of wetlands over five years. The Senate bill will help to ensure that WRP will both restore the maximum amount of wetlands as authorized by the 2002 Farm Bill and significantly contribute to the President's wetland goals.

However, the Administration urges the Senate to delete section 744, which would prevent the Secretary of Agriculture from implementing recently developed reforms in Farm and Ranch Lands Protection Program management that would improve performance, reduce financial assistance costs, and bring the program into compliance with Federal real property acquisition law.

Food and Nutrition Service

The Administration urges the Senate to adopt proposals to constrain the growth in Women, Infant and Children (WIC) nutrition services and administrative funding and to eliminate funding for the Commodity Supplemental Food Program, which duplicates the Food Stamp and WIC programs.

USDA and FDA Initiatives

The Administration thanks the Senate Committee for fully funding the requested increases for Pandemic Influenza Preparedness and the Provincial Reconstruction Teams. In addition, the Administration appreciates the Committee's support for increases for several important initiatives, including the Food and Agriculture Defense Initiative and the Multifamily Housing Proposal, but urges the Senate to increase funding as requested in the President's Budget.

Food Aid

The Administration appreciates that the Senate Committee funded the President's request for discretionary food aid programs. However, the Administration urges the Senate to provide the requested authority to use up to 25 percent of P.L. 480 Title II funding for local or regional purchases in food aid. The absence of this authority significantly hampers the Administration's ability to deliver food rapidly to meet urgent unanticipated needs.

Cooperative Conservation

To further the President's Cooperative Conservation Initiative, the FY 2007 Budget included a \$10 million proposal for a new USDA competitive grant program to encourage the development of collaborative approaches to combating the most destructive invasive species. The Administration urges the Senate to fund this important proposal.

Savings Opportunities

The Administration thanks the Committee for saving taxpayers \$237 million by adopting five of the President's proposals to reduce or terminate wasteful spending, and the Administration urges the Senate to build upon this initial success. The President's Budget would save taxpayers an additional \$825 million through 18 terminations and reductions to duplicative, under-performing, and lower-priority programs, which were not included in the Committee's version of the bill. The Administration urges the Senate to accept the remaining savings proposals, including non-competitively awarded research grants and facilities, the water and wastewater grant program, the resource conservation and development program, the watershed and flood prevention operations program, the market access program, and high-cost energy grants. These responsible cuts could be used to meet the President's goal of holding FY 2007 total discretionary spending to \$873 billion and cutting non-security discretionary spending below last year's level.

Competitive Sourcing

The Administration strongly opposes section 739 of the bill, which prevents USDA 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 competitiveness to commercial activities. On a Government-wide basis, the improvements set in motion by public-private competitions completed between FY 2003 and FY 2005 will generate an estimated savings that will grow to over \$5 billion over the next 10 years. The Administration urges the Senate to delete this provision.

Commodity Futures Trading Commission (CFTC)

The Administration urges the Senate to adopt the proposal in the President's Budget to fully fund the CFTC through fees. The CFTC is the only Federal financial regulator that is not funded through fees and still relies on general taxpayer funds, though a relatively small, specific group of participants benefits from its oversight. Based on the experience of fees charged by the futures industry's self-regulatory organization, there is no evidence that fees would harm the viability of the exchanges. Moreover, fees would facilitate the requested increase in CFTC's proposed oversight activities, which have been generally constant while trading volume has quadrupled over the last decade.

Constitutional Concerns

Section 711 purports to prohibit the use of funds to transmit to any non-USDA or non-Health and Human Services 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 this provision.

The references in section 713(b) to items "as approved by Congress" should be amended to refer to items "approved by law," as passage of a law is the only means by which the House and Senate together can bind the Executive Branch.

The last proviso under the heading, “Multifamily Housing Revitalization Program Account,” purports to require approval of the Committees on Appropriations prior to the obligation of funds. This provision 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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