

## **Budget Reconciliation**

- On Wednesday, December 21, 2005, the Senate passed the Budget Reconciliation Bill, S. 1932 (Conference Report H. Rpt. 109-362).
- However, the Senate made modifications to the bill that will necessitate further House action on the legislation.
- This change effectively prevents final passage this year.
- Overall, the measure identifies over \$2.7 billion in agriculture spending savings. The savings from the conservation programs are as follows:

### **Environmental Quality Incentives Program (EQIP)**

- Program authority is extended authorization through fiscal year (FY) 2010. This means that EQIP will not require legislative action if the Farm Bill is reauthorized in 2007.
- Funding for EQIP is not changed for 2006, and NRCS program allocations to states will not be affected by reconciliation.
- For future years, the reconciliation package reduced the FY 2007-2009 funding from \$1.3 billion to \$1.27 per year. This is a 2.4 % reduction. While a modest reduction by percentage, it will establish a lower beginning point for the appropriations process in those years.
- Full EQIP funding at \$1.3 billion is restored for FY 2010.
- In a technical correction needed to ensure that payment cap legislation is applicable for the reauthorized EQIP program, the reconciliation package specified that payments are limited to an individual or entity to \$450,000 during any six-year period.

### **Conservation Security Program**

- Program authority is extended to FY 2011. This means that CSP will not require legislative action if the Farm Bill is reauthorized in 2007.
- The Reconciliation Bill also strikes the current limitation on funding and inserts a new limitation with two restraints.
- The new limits are:
  - 1) \$1.954 billion for fiscal years 2006-2010.
  - 2) Changes the outyear cap to \$5.650 billion for FY 2006-2015. This compares to the existing law cap of \$6.037 billion over a shorter time period.

- For CSP, the action on budget reconciliation does not necessarily affect the FY 2006 program scope. NRCS will work with OMB to develop program specifics for FY 2006 and future year projections based upon the Reconciliation Bill.

### **Watershed Rehabilitation Program**

Reconciliation language cancels the authority to obligate funds previously made available for a fiscal year and unobligated as of October 1, 2006. This only affects Commodity Credit Corporations funds, (which have never been appropriated). As a result, reconciliation will have no direct impact on rehabilitation efforts underway.

### **Other Programs**

The reconciliation bill under consideration makes no funding changes to the Agriculture Management Assistance program or the Conservation Reserve Program.

## **Defense Appropriations/Emergency Supplemental**

On Thursday, December 22, 2005, the House approved the Defense Appropriations/Emergency Supplemental (H.R. 2863, H. Rpt. 109-359) by voice vote – clearing the legislation for the President’s signature. The supplemental appropriations portion of this report provides direct relief to the hurricane affected states in the Gulf of Mexico. The sections of the measure that are likely to affect NRCS include:

- Provides \$300,000,000, to remain available until expended, under the Emergency Watershed Protection program to repair damages resulting from hurricanes that occurred during the 2005 calendar year.
- Managers language provides that the funding is to be used to repair damage caused by hurricanes in 2005 to waterways and watersheds, and for other specified purposes related to hurricanes.
- Of the total, no less than \$283,890,365 is for the hurricane Katrina, Rita, and Wilma-related projects specified in the December 8, 2005, “EWP Recovery Projects Unfunded” table.
- The legislation restricts cost-share rates to 75%, provides EWP authority to assist with removal of timber on private, non-industrial lands not to exceed \$150 per acre, and provides authority to remove and dispose of debris and dead animal carcasses for FY 2005 only.
- Allows the Secretary to “payback” accounts that were used to fund hurricane relief before the supplemental is passed.
- Creates a new Emergency Forestry Conservation Reserve Program under the authorities of the Conservation Reserve Program, with funding of \$404,100,000 of the Commodity Credit Corporation funding to be made available in this program, until expended.
- Rescissions and Offsets Include:
  - Conservation Operations – rescinds \$10,000,000 of the unobligated balances. Legislative language exempts FY 2006 earmarks from the reduction.
  - Government Wide: The conference agreement includes a 1 percent across-the-board rescission to discretionary budgetary resources provided in fiscal year 2006 regular appropriations act, as well as to any previously enacted fiscal year 2006 advance appropriations and to any contract authority subject to limitation. The legislation specifies that the rescission should be applied equally to all

discretionary accounts, as well as earmarks. The rescission does not apply to emergency programs. The provision matches NRCS initial allocations to states that included an anticipated 1% rescission.

**December 22, 2005**