



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

May 23, 2006
(House)

STATEMENT OF ADMINISTRATION POLICY

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

(Sponsors: Lewis (R), California; Obey (D), Wisconsin)

The Administration supports House passage of the FY 2007 Department of Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, as reported by the House Committee. The bill provides requested funding for a wide range of important nutrition, food and drug safety, rural development, agricultural research, international export and food assistance, farm, and conservation programs, and includes a number of the Administration's savings proposals.

The Administration commends the Committee for reporting this bill in a timely manner. Although the bill exceeds the President's request, the Administration appreciates that the Committee held funding in the bill below last year's levels and adopted a number of the savings proposals from the President's Budget, while funding many important priorities. The President's FY 2007 Budget holds total discretionary spending to \$872.8 billion and cuts non-security discretionary spending below last year's level. The Budget funds priorities and meets these limits through proposals to reform, reduce, or terminate 141 lower-priority programs. The Administration urges Congress to fund priority needs while holding spending to these limits. The Administration looks forward to working with Congress to adopt the President's proposals to cut wasteful spending in order to maintain fiscal discipline to protect the American taxpayer and sustain a strong economy.

The Administration looks forward to working with Congress to ensure that its priorities, including cost savings proposals to reduce wasteful spending, the Food and Agriculture Defense Initiative, and Pandemic Influenza Preparedness, are met within this overall total.

The Administration would like to take this opportunity to share its views regarding the bill approved by the Committee.

Drug Re-Importation

The Administration strongly opposes a provision adopted by the Committee regarding the importation of prescription drugs. In 2004, an HHS Task Force on prescription drug importation found that there are significant safety and economic issues that must be addressed with respect to prescription drug re-importation. The provision adopted by the Committee does not include any safety protections to ensure that drugs imported into the United States are safe and effective. For example, while the provision theoretically limits importation to prescription drugs approved for use by the Food and Drug Administration (FDA), it would be impossible for the FDA to verify at the border that drugs being imported are indeed FDA-approved, and not counterfeit. Congress is urged to refrain from taking action that could threaten the health and safety of Americans.

Farm Bill Program Extensions

The Administration strongly opposes the provisions extending the recently reauthorized Milk Income Loss Contract and the peanut storage programs. These two provisions will increase the deficit by more than \$1.8 billion over the next five years. However, by including these provisions in an appropriations bill, these significant out year cost implications will not be fully considered or offset.

Wetlands Reserve Program

The Administration strongly opposes the Section 720 limitation on the number of acres that the United States Department of Agriculture (USDA) may enroll into the Wetlands Reserve Program (WRP) during 2007. 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. The President's FY 2007 Budget proposes enrolling 250,000 acres into WRP, which will advance restoration efforts such as in the Chesapeake Bay, Great Lakes, and Mississippi Flyway regions. The Administration urges the House to delete the provision.

Food and Nutrition Service

The Administration urges the House to adopt the Administration's 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. The Administration does not support the appropriation of \$25 million for the Fruit and Vegetable Pilot Program. Annual funding of \$9 million provided by the Child Nutrition and WIC Reauthorization Act of 2004 (P.L. 108-265) is sufficient to fund the demonstration until a final evaluation report is completed in 2008.

Underfunded Initiatives

The Administration appreciates the Committee's support for increases to several important initiatives, including the Food and Agriculture Defense Initiative, Pandemic Influenza Preparedness, and Multifamily Housing Revitalization. The Administration urges that these initiatives be funded at the level of the President's request. Funding the first two initiatives will ensure adequate preparations by both USDA and FDA in case of a bioterrorist attack or pandemic flu incident, while funding USDA's housing initiative will aid low-income tenants facing displacement.

International Programs and Farm Program Delivery

The Administration appreciates that the Committee funded the President's request for discretionary food aid programs and the Farm Service Agency's business process modernization. However, the Administration urges the House to provide the authority to use up to 25 percent of this funding for local or regional purchases in food aid emergencies and to fully fund the \$5 million Provincial Reconstruction Teams in Afghanistan. In addition, we remain concerned about the roughly 38 percent reduction to the Administration's request for the Common Computing Environment (CCE), which is critical to maintaining the quality of

information technology in the field necessary to support the many farm, conservation, and rural development programs.

Cooperative Conservation

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

Savings Opportunities

The President's Budget included a number of terminations and reductions to duplicative, under-performing, and lower-priority programs that the Committee has not included in its bill. The Administration urges the House to accept the funding restrictions for the 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, and the Market Access Program. This funding could be used to offset increases proposed for higher priorities in the President's Budget request.

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 competition to commercial activities. On a government-wide basis, improvements set in motion by competitions completed in FY 2005 are expected to generate net savings or cost avoidances totaling \$3.1 billion over the next 5-10 years. The Administration urges the House to eliminate this provision.

Commodity Futures Trading Commission (CFTC)

The Administration urges the House 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 of the bill 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 House to delete the provision.

Section 714 of the bill 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 House to delete the provision.

In addition, several provisions of the bill purport to require approval of the Committees prior to Executive Branch action, including the obligation of funds. These provisions include the last proviso under the heading, "Multifamily Housing Revitalization Program Account", the last proviso under the heading, "Salaries and Expenses, Food and Drug Administration," and sections 703 and 712 of the bill. Because these provisions would contradict the Supreme Court's ruling in *INS v. Chadha*, these provisions should be modified to require only notification of Congress.

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