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October 6, 2004

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**Policy Brief.....Conference Report on H.R. 4837
 Military Construction Appropriations Act for FY05**

BY THE NUMBERS:

Budget Authority in Millions of Dollars

	FY04 Enacted	FY05 Request	FY05 House	FY05 Senate	Conference Report
Military Construction	9,319	9,524	10,003	10,003	10,003
Hurricane Relief	0	11,799	10,912	0	11,799
Total	9,319	21,323	20,915	10,003	21,804

Important Provisions

- Includes H.R. 5212, the \$10.9 billion hurricane relief package that passed the House on October 6, 2004 by a vote of 410 to 0.
- Includes an additional \$887.4 million in hurricane relief requested on October 7th and therefore not included in H.R. 5212.
- Includes the Neugebauer drought assistance amendment, providing assistance to farmers and ranchers while offsetting the cost with a cap on the Conservation Security Program. However, savings from the offset would not be counted until 2008 because of a directed scorekeeping requirement.
- It does **NOT** include a two-year extension of the Milk Income Loss Contract (MILC) program, costing \$2.4 billion in new mandatory spending.

- Other items of note: \$7.2 million of hurricane assistance for processors would go to Hawaii, authorizes a natural gas pipeline in Alaska, \$9 million of hurricane assistance for oysters in AL, CA, FL, and MS.

Neugebauer Drought Assistance:

The Neugebauer amendment would provide an estimated (“such sums as are necessary”) \$2.86 billion in disaster assistance to farmers and ranchers. The amendment would provide direct payments to producers who experienced more than a 35% crop loss in expected production. The payment would range from 60-65% of the market price for any loss in excess of the 35% threshold depending upon if crop insurance was in place or available. Producers could choose between either their 2003 or 2004 losses (but not both). Producers would be eligible for these payments even if they had failed to purchase crop insurance, but they would then be required to purchase such insurance for each of the next two crop years. Eligibility for these payments would not require a farmer to live in a declared disaster area.

These payments would be limited to \$80,000 per producer, and each producer would be barred from receiving such payments if their income exceeded \$2.5 million in 2003 – unless 75% of their income stemmed specifically from farming. Unlike other farm disaster assistance proposals, such as the Baucus amendment to the FY05 Homeland Security appropriations bill (S.2537), the Neugebauer amendment ensures that these disaster payments *would not exceed* 95% of a crop’s worth in the absence of hurricane destruction. (Under the Baucus amendment, a producer could possibly *exceed* their losses on an expected crop’s market worth *if* the disaster payment is combined with any crop insurance payout and the sale (at a higher price with lower demand) of any crops that survived.)

The amendment would also provide direct payments to livestock producers – through the Livestock Assistance Program -- who experienced more than a 40% loss in grazing for three or more months in either 2003 or 2004 (but not both). The producer would have to be located in a county declared a natural disaster. And finally, the amendment would provide funding for the Tree Assistance Program, which was authorized by the 2002 farm bill. The program was created to assist orchard growers who lost at least 15% of their trees as a result of a natural disaster. The Secretary can either reimburse 75% of the cost of replanting eligible trees lost or the cost of sufficient seedlings to reestablish the stand. Payments per person may not exceed \$50,000 or an equivalent value in tree seedlings. Orchard growers could choose between either their 2003 or 2004 losses (but not both).

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The Neugebauer amendment offsets the cost of the package by capping the amount of available each year for the Conservation Security Program (CSP) – a program authorized by the 2002 farm bill to encourage farmers to practice conservation. According to CBO, this cap would save \$2.858 over ten years. While a legitimate offset, some conservatives may be concerned about an offset that requires ten years to recoup the savings needed to pay for spending that will occur in the current year. For instance, a similar cap was imposed on the FY03 omnibus appropriations bill to provide additional savings but was lifted the following year.