

**House Report 108-193 - AGRICULTURE, RURAL DEVELOPMENT, FOOD
AND DRUG ADMINISTRATION, AND RELATED AGENCIES
APPROPRIATIONS BILL, 2004**

**ADDITIONAL VIEWS OF THE HONORABLE MARCY
KAPTUR**

At a time of recession, rising unemployment, currency fluctuations, and greater dependency on the federal government by the farm sector for economic survival, this bill fails to meet the needs of today's economy for a counter cyclical boost.

In part, this is the fault of the administration, which submitted a request that did not provide necessary support in many areas. In part, it is the fault of the Republican Congress, which adopted a budget resolution that did not recognize the vital role agriculture plays in our economy. The allocation for this bill that is below the Administration's request and below the 2003 level. As a result, the bill underinvests in rural America and in value-added production, crippling producers' effort to earn more from the marketplace and less from support payments in the mailbox. The bill fails to meet the needs of other Americans who depend on agencies in the bill for nutrition, food safety and other important services.

The bill provides \$17.005 billion for discretionary programs. It is about 1 percent below the budget request and nearly 5 percent below the 2003 level of \$17.877 billion, a most astonishing set of cutbacks in America's leading domestic industry that still maintains a trade surplus in global markets.

Among the programs that are under-funded or at risk of inadequate support are farm loans, rural development, domestic food programs, international food aid, research, the FDA, and a number of important mandatory programs, for which funding is blocked. Funding for many new initiatives established in the farm bill to lead American agriculture into the 21st century is once again, deferred.

In some other accounts, it is highly likely that additional funds may be needed by the time the bill goes to conference. With the limited funds available for this bill, those funds will be difficult--if not impossible--to find.

Funding for rural America

There is a crisis in rural America. It is a crisis born of concentrated enterprises in our competitive market. It is a crisis of diminishing U.S. exports. It is a crisis of ignoring investment in new value-added developments such as bioenergy production. The economic crisis in

agriculture has resulted in social consequences of crime and social instability in what was once our nation's most cherished repository of American values--family, faith, community, stewardship, free-holding.

The New York Times ran a powerful article in December, entitled 'Pastoral Poverty: the Seeds of Decline.' The articles detailed the systematic decline of the social fabric across rural America. Some of the conditions noted in the article:

The rate of serious crime in predominantly rural states such as Kansas and Oklahoma is 50 percent higher than in New York State;
Bank robberies are most likely in towns of 10,000 and 25,000 people;
People in rural areas make much less than their urban counterparts, and are much more likely to have only minimum wage jobs; and
There were 300 times more seizures of methamphetamine labs in Iowa in 1999 than in New York and New Jersey combined, based on DEA figures.

The economic impacts of the social fraying are clear.

USDA's chief economist testified that in recent years nearly fifty percent of farm income has been derived from government payments.

Additionally, more farmers and ranchers must depend on off-farm income to supplement an economy that is not working for them. USDA's economists recently reported that more than half of all farm operators have off-farm income, and when other household members are added in, the off-farm income level jumps to 85 percent.

The stresses of rural life were also illustrated in a story last year about an Iowa program to provide mental health counseling to struggling farmers and their families. The program also runs camps for children in stress. It has already served more than 1500 farmers and their families and trained 300 persons in how to identify stress problems affecting farm families.

Yet essential funding for farm loan programs--which help farmers buy a farm or operate it--and for rural development programs--which help both individuals and communities with homeownership, water and sewer needs, telecommunications and other vital services--to maintain and improve life in rural communities is denied. This bill falls far short of the need.

Farm loans programs

Overall, the bill cuts farm loans by 5 percent below the request, providing \$173 million less in loans.

And for three critical programs--farm ownership guaranteed loans, farm operating direct loans and farm operating subsidized guaranteed loans--the bill provides \$454 million less in loans than in 2003, a 20 percent cut.

Rural development programs

Many important programs are cut.

The Business and Industry Guaranteed Loan Program gets \$339 million less for loans than in 2003, a reduction of 38 percent and \$47 million less for loans than the request, a reduction of 8 percent.

Single family guaranteed home loans are 4 percent below the 2003 level, with \$120 million less to offer borrowers.

The bill eliminates funding for the rural Telephone Bank, which made \$175 million of loans last year, averaging \$4.6 million each, in 23 states.

Water and waste disposal grants are one of the core programs of the Rural Development area. The bill does provide more funding than the request but it is still \$43 million less than 2003, and almost \$250 million below the level that numerous Members of both parties requested.

Grant for distance learning and telemedicine and broadband are \$24 million below this year's level.

Funding for all electric loan programs is nearly \$1 billion below this year, about a 20 percent reduction, at a time when energy costs across America are rising and putting a throttle on robust economic growth.

Domestic and international food programs

During hearings this year, Democrats focused on the record demand for domestic food programs, such as WIC and food stamps. Noting enormous lines at soup kitchens and food pantries this winter, the ranking Member, in particular, stressed the need for full funding for the Temporary Emergency Food Assistance Program, which is a critical part of funding for our Nation's food banks.

Members also questioned the adequacy of funding in the budget request for international food aid. As Democrats had predicted last year, the 2003 funding level proved far too low to meet world wide demands, and Congress was forced to provide more than 150% of the budget request.

The bill does not respond adequately to these concerns, particularly in view of our major foreign policy objectives in Iraq, Afghanistan and Africa.

Domestic food programs

The Temporary Emergency Food Assistance Program--a key source of funding for food banks--is \$10 million below the new authorized level in the farm bill, despite record lines at soup kitchens this year and repeated expressions of concern by the President and Secretary about the need to support food banks at a time rising unemployment.

Funding for WIC is reduced below the request, and this cut may prove to be too deep. If funds need to be restored when the bill gets to conference, the tight funding level for this bill will leave almost no place to go to adequately meet the need.

The Commodity Supplemental Food Program is almost \$20 million below this year, and \$35 million below the level requested by more than 50 Members.

Neither the administration request nor the bill provides an increase for the Senior Farmers Market Nutrition Program, despite the fact that applications in recent years outpaced available funds.

International food aid

There is a slight increase over the request for the PL 480, Title II, humanitarian food program. But this is still more than \$620 million less than this year's level.

If Congress is forced to add money to this account to meet urgent needs overseas, it is unclear how there will be room to do so in this bill.

The bill provides \$57 million for the McGovern-Dole international food program. But, again, at least 35 members asked for \$300 million, including several Republicans, and the level in the bill is far less than the \$100 million funded in the farm bill for the current year.

For PL 480, Title I, funding is \$23 million lower than in 2003.

Other key problems with the bill

There are shortfalls in funding in other areas of the bill, including the FDA, important conservation and rural development mandatory programs, food safety, research, farm bill programs and a number of other issues.

The Food and Drug Administration

The FDA receives \$10.9 million less than requested.

The bill does not provide full funding for the generic drug program, the Best Pharmaceuticals for Children act, the over-the-counter drug program, and the patient safety and adverse event reporting initiative. The bill will also halt work on the Arkansas regional lab, and reduce funding for ongoing maintenance at FDA facilities by 25 percent.

An area of interest to many Members is medical device funding. The administration made an agreement in 2002 with the medical device industry and the authorizing committees for new industry user fees, in exchange for a set level of discretionary funding each year for the program. Under the statute, if total discretionary funds fall short of the required level over a several-year period, the program sunsets. Despite the fact that it was a party to this agreement, the administration completely failed to live up to its part of the deal last year and this year, and did not request the required funds.

At least 46 Members of both parties requested that the full amount for devices be provided. The bill provides an increase of \$9 million over the request for the medical device program, but this is still short of the required level.

Some believe the required level of appropriations will never be reached and that the agreement will have to be rewritten. If that is true, some or all of the \$9 million for medical devices might have been put to better use in this bill.

But from either perspective, the bill does not do what it should.

Limitations on mandatory programs

The bill includes 10 provisions cutting mandatory agriculture programs by \$540 million--programs that provide funding for rural firefighters, dam rehabilitation, renewable energy, conservation, telecommunications and research.

Again, these were areas where many Members pleaded with the Committee to maintain levels established just last year in the Farm Bill.

These cuts will have a real impact on rural programs.

Small Watershed Rehabilitation- the bill cuts this program by \$95 million, more than twice the cut in the 2003 bill, despite a rapidly growing number of dams reaching the end of their useful lives. Two years ago, NRCS had identified 1450 dams in need of rehabilitation, at a cost of more than \$500 million. While the bill does provide an increase of \$20 million. While the bill does provide an increase of \$20 million in discretionary funding, the cut in the mandatory funding makes it much harder to meet identified needs. Further, there is an \$80 million backlog just to finish projects already

underway, so funding on both the discretionary and mandatory sides is needed.

Rural firefighters- The bill eliminates funding for this program, which would provide \$10 million a year to train rural firefighters and medical personnel to respond to hazardous materials and bioagents.

Conservation security program- the bill eliminates all funding for this program, despite the fact that this program will provide assistance to farmers to adopt conservation measures on working farms, unlike a number of other programs that take land out of production for conservation. Assistance for conservation on working farms has been sorely neglected in the past and this program represents an important attempt to remedy that problem.

Wetlands Reserve Program- in a recent publication, USDA referred to this program as the 'premier wetland restoration

program.' But the bill cuts new enrollment in this program by 20 percent in 2004. The program has a backlog of 736,909 acres. That is why the farm bill conferees increased allowable acreage, and this amendment will thwart that effort.

*Environmental Quality Incentive Program.--*the bill reduces this program by \$25 million in 2004. This cut will mean there will be 1450 producers who won't be able to get EQIP funding in 2004. And, in addition, the backlog last year for the program was \$1.5 billion, which caused many producers to give up on the program. Another limit will discourage those who still want to participate.

Rural strategic investment- the bill cuts virtually all the funding available for this program, which is designed to encourage regional boards to develop plans for basic infrastructure and services and for public-private investments to promote the economic well-being of rural areas.

Renewable energy- the bill zeroes out funding for this program, which would provide grants and loans to farmers and ranchers and rural small businesses to buy renewable energy systems and make energy efficiency improvements. At a time when sharp increases in electric prices and spikes in natural gas prices are expected--increases that could devastate small farmers, ranchers and businesses--this is very ill-advised.

Value-added grants- the bill eliminates all funding for this new program, which would provide competitive grants to individuals who have developed innovative marketing plans for value-added agricultural products. This is area of great interest now and one which promises some of the most important economic gains to our agricultural community. Valuable product research has been done by USDA and others, but without viable marketing plans, there will be no benefit to our farmers. Forty Members urged the Committee to

maintain this funding, as well as the renewable energy funding discussed above.

Broadband loans- the bill eliminates all funding for this program, which would provide loans and grants to small rural communities to help them get high-quality data lines. This is particularly shortsighted, as the foundation of economic development in our society is, increasingly, technology. If our small rural areas are left behind, their ability to keep and attract residents and businesses will be very limited.

Initiative for Future Agriculture and Food Systems- The bill cuts \$120 million from this competitive grant program, which is designed to address critical research issues, such as genomics, food safety, food technology, and human nutrition; new and alternative uses and production of agricultural commodities and products; agricultural biotechnology; natural resource management, including precision agriculture; and farm efficiency and profitability, including the viability and competitiveness of small- and medium-sized dairy, livestock, crop, and other commodity operations.

Other shortcomings in the bill

Country-of-origin labeling- The bill prevents the implementation of country-of-origin labels for meat and meat products. This is a basic consumer-right-to-know issue, which the House unanimously supported when it instructed its conferees on the farm bill to support country-of-origin labeling for both meat and perishable products.

Meatpacker audits- The administration asked for \$1 million for the Grain-Inspection, Packers and Stockyards Administration to audit the four largest steer and heifer meatpackers, for compliance with the Packers and Stockyards Act. This might sound like a routine

request, but it is not. This would be the first time in the 82-year history of the Packers and Stockyards Act that the agency has audited a large packer. But the bill does not provide this funding.

Food safety and inspection- The bill provides about \$12 million less than requested for the Food Safety and Inspection Service. Under the budget request, these funds would not have gone directly into inspection activities, but given the large number of recalls in 2002 and ongoing concerns about the agency's performance, the \$12 million should have been provided for increased inspection and sampling.

Commodity Futures Trading Commission- Although the bill funds the request for CFTC, there are indications that substantially more funding might be needed in 2004. If that proves to be the case, it is unclear how this need would be accommodated within the limited funding in this bill.

Farm bill programs

The farm bill created a host of new programs. Some were funded on the mandatory side, but many others were discretionary programs, for which funds were authorized to be appropriated. In last year's report, the Committee estimated that there were 110 such programs, as well as requirements for 58 reports, studies and commissions. Numerous Members asked for funding for new programs and asked to fund existing programs at new, higher authorization levels, but most of these requests were not funded in this bill.

Research

For the Agricultural Research Service, the bill provides only half of the funding requested for upgrading security at ARS labs; and while funding for research programs is over the request, it is still \$21 million short of this year's level.

Similarly, in the Cooperative Research Education and Extension Service, overall funding is over the request but \$22 million lower than this year's level. As a result, many important research institutions and activities, including the 1890 and 1994 institutions, are shortchanged. In addition, at least 95 Members of both parties asked for a five percent increase in formula funds, but the bill does not provide this. Many members also asked for \$200 million for the National Research Initiative, but the bill provides only \$149 million, less than the request and the current year funding level.

The Economic Research Service and National Agricultural Statistic Service would receive almost \$12 million less than requested, forcing the postponement of important initiatives, such as genomics research and improvement of statistical information in the New England states, Hawaii and Alaska.

Conclusion

The shortcomings of the bill are largely a result of the allocation assigned to the Subcommittee. There seems to be little chance that the allocation will be increased, and therefore, little opportunity to remedy cuts or shortfalls in key programs.

Budgets reveal priorities. And this year, we are seeing that the Republican Party in Congress is willing to put huge tax breaks for the most well-off in our society ahead of almost every other economic and social value.

