



SUSTAINABLE AGRICULTURE COALITION

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Agricultural Budget and Appropriations

Congress Approves Budget Resolution Demanding Cuts to 2002 Farm Bill Spending

On April 28, Congress approved an Fiscal Year 2006 (FY 06) Joint Budget Resolution that instructs the House and Senate Agriculture Committees to find \$3 billion in cuts to USDA mandatory programs over the next 5 years, with a \$173 million reduction scheduled for FY06. The budget blueprint, hammered out by GOP negotiators, passed in the House with a 214-211 vote, with 15 GOP defectors (all but 2 from the Northeast or Midwest) joining Democrats in opposition. The Senate vote was 52-47, with no tie-breaker vote needed from Vice President Cheney who was present during the vote in case a tie vote situation emerged. After arm twisting from the leadership and the White House, only GOP Senators Chafee (RI), DeWine (OH), and Voinovich (OH) voted no, while GOP Senators Snowe (ME), Collins (ME), Hagel (NE), and McCain (AZ), all undecided or leaning no earlier, voted with the majority.

The agreement calls for a total of \$35 billion in cuts over the next five years from **mandatory programs** in the federal budget, including entitlement programs, with about \$10 billion of that to come from Medicaid, \$7 billion from student loans, and an even \$3 billion from food and agriculture. These cuts, as well as \$70 billion of the \$106 billion in tax cuts included in the resolution, will occur under the budget "reconciliation" process that prevents filibusters and requires only a regular majority vote to prevail in the Senate. The reconciliation procedure in the Senate, last used for mandatory spending cuts in 1997, is significant because it means that the Republican majority could lose as many as five members of their caucus on the final budget reconciliation bill later this year and still prevail.

As it does every year, the Budget Resolution also includes a **discretionary spending cap**. The discretionary cap for FY06 that determines how much is available for annual appropriations bills is \$843 billion, the exact same amount as the President requested, though the resolution also tacks on an additional \$50 billion for Iraq and Afghanistan in FY06. Of the total, \$373 billion is for domestic programs, which is a \$23 billion or 6 percent cut from FY05. Over the next five years, the budget resolution requires a \$212 billion reduction in domestic discretionary spending, though the resolution only locks in the cuts scheduled for FY06.

What Does this Mean for Agriculture?: The \$3 billion cut in mandatory agriculture spending is a victory of sorts for the Senate GOP agricultural leadership, who entered the conference with a Senate number of \$2.8 billion in cuts versus \$5.3 billion in the House bill. The next step in budget reconciliation, the process of allocating cuts in mandatory spending to various programs in the USDA budget, is now in the hands of the House and Senate Agriculture Committees. House Agriculture Committee Chair Bob Goodlatte (R-VA) has indicated that the House Agriculture Committee will not complete marking up legislation for budget reconciliation until close to the September 16, 2005 deadline for the Committee to report to the House Budget Committee.

During the week of May 9, Rep. Goodlatte held invitation-only meetings with selected commodity groups, conservation, nutrition, rural development and other groups and stated that no single sector is going to bear the weight of these cuts and that all these groups will be included in making decisions about reconciliation. While Rep. Goodlatte indicated that all farm bill programs were on the table, he also emphasized "the importance of maintaining the current farm bill policies so that the nation's farmers and ranchers can make decisions with assurances that the policies of the 2002 Farm Bill will remain effectively intact throughout the duration of the act." Previous remarks by Rep. Goodlatte seem to indicate that he is likely to include heavy cuts to the food stamp program.

The Senate Agriculture Committee is also aiming for a September mark-up of its version of the agricultural budget reconciliation bill. Chairman Chambliss (R-GA) projects a mark-up vehicle that would include cuts on all areas, including commodities, conservation, food stamps and possibly others.

It will be into this context in September that Senators Grassley (R-IA), Nelson (D-NE), and others will bring forward an amendment to decrease or eliminate cuts to food stamps and conservation by passing a payment limitation reform amendment, bringing about a long-anticipated major farm policy showdown of the year. The Grassley-Dorgan commodity payment limitation reform bill, the Rural America Preservation Act (S. 385), was introduced in the Senate in February and a companion bill (H.R. 1590) was introduced in the House by Rep. Ron Kind (D-WI) and Rep. Jeff Flake (R-AZ) on April 13. The payment limitation amendment during budget reconciliation will be modeled on this bill.

For more information on the payment limitation bill, go to http://www.msawg.org/sac/farmopp/payment_reform.shtml

On the discretionary spending side of the coin, the budget resolution determines the broad spending outlines for the annual agricultural appropriations bill. The proposed average 6 percent cut for Fiscal Year 2006 would have resulted in severe reductions in agriculture and rural development spending, but through various manipulations of spending allocations the House agriculture appropriations subcommittee received an allocation identical to Fiscal Year 2005 (not including emergency spending) and the Senate agriculture appropriations subcommittee received a boost of \$500 million over FY 2005 (again, not including emergency spending). These allocations reduced, but did not eliminate, the hit on mandatory farm bill spending made by the agriculture appropriators in order to be able to continue discretionary spending at roughly current levels. For full story on agricultural appropriations for FY 2006, go to http://www.msawg.org/sac/aba/fy2006_update.shtml

The Sustainable Agriculture Coalition led an effort by conservation organizations to communicate with both the House and Senate Agriculture Committees and the House and Senate Agricultural Appropriations Subcommittees urging restraint in cutting 2002 farm bill conservation programs. To view those letters, go http://www.msawg.org/sac/aba/ag_appropriations_letter.shtml

http://www.msawg.org/sac/aba/ag_committees_letter.shtml