



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

June 7, 2005
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 2744 – Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill, FY 2006

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

The Administration supports House passage of the FY 2006 Department of Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, as reported by the House Committee.

The Administration applauds the Committee for reporting this bill in a timely manner and looks forward to working with Congress to ensure that the FY 2006 appropriations bills do not exceed the \$843-billion discretionary funding level proposed in the President's FY 2006 Budget and contained in the FY 2006 Congressional Budget Resolution. Sustaining the economy's expansion requires strong Federal spending discipline. The President's Budget includes over 150 savings and reforms and was the first to propose reducing non-security discretionary spending since the Reagan Administration. The Administration urges Congress to shift funding from lower priorities and, as assumed in the Budget Resolution, to hold spending in the non-security discretionary category below last year's level.

The Administration looks forward to working with Congress to ensure that its priorities, including the Food and Agriculture Defense Initiative and rural housing vouchers, are met within that overall total. Given the need for responsible spending restraint, the Administration appreciates that the Committee adequately funded the Special Supplemental Food Program for Women, Infants, and Children (WIC) and urges Congress to fully fund other unavoidable obligations.

Drug Re-Importation

The Administration strongly opposes a provision adopted by the Committee regarding the importation of prescription drugs. Last year, an HHS Task Force on prescription drug importation (chaired by Surgeon General Carmona) 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, this provision would not require that Americans purchasing prescription drugs in another country actually obtain a prescription from a licensed physician prior to purchasing the drugs. 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. Prohibiting the FDA from enforcing current laws designed to protect the health and safety of American consumers is not the best way to address the issue of drug affordability. Congress is urged to refrain from taking action that could threaten the health and safety of Americans.

Achieving Permanent Savings

The 2002 Farm Bill contained mandatory funding for a number of programs that had been traditionally funded through discretionary appropriations. Since enactment of that legislation, savings had routinely been claimed by delaying mandatory funding for one year. As a result of these funding delays, discretionary savings have been credited when no reduction in spending is fully implemented. For example, the Committee has delayed the expenditure of \$100 million in one-time funding provided in the Farm Bill for the Rural Strategic Investment Program. The same \$100 million in savings has been claimed in each of the past three years by including similar language. In 2005, this practice was used to delay a total of \$1.28 billion in mandatory obligations in the Agriculture Appropriations bill. The Administration urges the House to achieve permanent savings by canceling, rather than temporarily blocking, the funding for this and other mandatory programs included in the bill.

Savings Opportunities

The President's Budget included a number of terminations and reductions to those programs that have not demonstrated results for the taxpayer, duplicate current efforts, or do not fulfill essential priorities. In particular, the Administration urges the House to accept the requested funding reductions for the Resource Conservation and Development Program; the Watershed and Flood Prevention Operations Program; the Market Access Program; and non-competitively awarded research grants. In addition, the Administration has re-estimated the cost of WIC, and lowered the estimated requirements level by \$300 million. Funds from these proposed reductions and the revised WIC funding level could be used to offset increases for other higher priorities in the President's Budget request.

Special Supplemental Food Program for Women, Infants, and Children (WIC)

The Administration urges Congress to include two cost-containment measures proposed in the President's Budget for WIC: a provision to constrain the growth in WIC nutrition services and administrative funding and a prohibition on the approval of new WIC-only vendors. The House bill would extend the current prohibition on approval of new WIC-only vendors until the date that USDA publishes vendor-cost-containment regulations. Because States will need time to implement systems in compliance with the new regulations, the prohibition should be extended through the end of FY 2006.

Food and Agriculture Defense Initiative

The Administration appreciates that the Committee provided some of the requested increases for the Food and Agriculture Defense Initiative, in particular the remaining funding needed for construction of the animal-health facility in Ames, Iowa. The Administration urges the House to provide the remaining funding requested for this initiative, including funding for the Food Emergency Response Network, the National Vaccine Bank, and the regional diagnostic laboratories. The Food and Agriculture Defense Initiative is critical to improving the Nation's ability to rapidly identify, characterize, and defend against potential bioterrorist attacks.

Multifamily Housing Programs

The Administration urges Congress to fund the request for the multifamily housing voucher program. Due to a recent Supreme Court decision allowing private entities to pull housing units out of USDA's rural housing program and, potentially, price poorer tenants out of their apartments, the President proposed a new \$214-million voucher program to allow such tenants to remain in their homes or obtain other affordable housing. Congress is urged to fund the voucher program.

High Priority Information Technology Funding

The Administration appreciates that the House provided full funding for the Farm Service Agency's geographical information system activities, but urges Congress to allocate the full amount of requested funding for priority information technology projects, including the discretionary amount requested for the Department's planned replacement system for commodity procurement. Reduced funding will impede USDA's efficiency and negatively impact the agency's ability to provide services. The Administration's request included adequate discretionary funding for information technology, avoiding the need to use mandatory funds.

USDA's Competitive Research

The 2006 Budget includes a proposal that would enhance the effectiveness of research grant programs through an increased emphasis on competitive peer reviewed grants. The Administration's proposal would provide a significant increase in the National Research Initiative to \$250 million, the establishment of a new \$75-million program to respond to State, local, and regional research needs, and the elimination of the artificial cap on indirect costs that has placed USDA competitive research at a disadvantage compared to other Federal programs. Funding for the increases would come from reductions in formula assistance, which is not allocated to institutions on a competitive basis. Congress is urged to fund the Administration's request.

Wetlands Reserve Program

The Administration strongly opposes the Section 734 limitation on the number of acres that USDA may enroll into the Wetlands Reserve Program (WRP) during 2006. 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. Over the last year, WRP has helped restore or create 123,300 wetland acres. The President's 2006 Budget anticipates enrolling 200,000 acres into WRP and, at this level of enrollment, USDA estimates it will restore or create another 123,300 acres next year. This section limits the Department's ability to contribute to this goal, and the Administration urges the Congress to eliminate the provision.

Competitive Sourcing

The Administration strongly opposes Section 748 of the bill, which prevents the Department 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. For example, in FY

2004, the Department completed competitions that are expected to save taxpayers \$174 million over the next five years; Government-wide efforts for FY 2004 are expected to save \$1.4 billion over three to five years. The Administration urges the House to eliminate this provision.

Constitutional Concerns

Section 716 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 720 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.

The Administration objects to a number of provisions in the bill, including in sections 705, 717, and 731, and under the heading "Food and Drug Administration, Salaries and Expenses," which purport to require Committee approval before Executive Branch execution. These provisions should be changed to require only notification of Congress, since any other interpretation would contradict the Supreme Court's ruling in *INS v. Chadha*.

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