Agriculture, Nutrition, and Rural Provisions in the American Recovery and Reinvestment Act (ARRA) of 2009

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Summary

On February 17, 2009, President Obama signed into law H.R. 1, the American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5). The ARRA is a response to the depth of the economic recession facing the United States (and the rest of the world) at the beginning of 2009. It is billed as an economic stimulus package to improve the situation of individuals and businesses. The ARRA boosts government spending on various infrastructure programs and government benefits programs, and offers individual and business tax benefits. The Congressional Budget Office (CBO) estimates that the ARRA will cost $787 billion over 10 years, although most of its budget authority is slated for two fiscal years (FY2009-FY2010).

Agriculture programs—including nutrition assistance, rural development, farmer assistance, and conservation—would receive about $26.6 billion of the $787 billion in the enacted ARRA (about 3.4%). The $26.6 billion is allocated as follows:

- Nutrition assistance programs receive $20.8 billion (78% of the total amount for agriculture). Food stamp benefits and eligibility in the newly renamed Supplemental Nutrition Assistance Program (SNAP) represent the largest single increase (nearly $20 billion); benefits rise 20% on average from current levels.
- Rural development receives a sizeable increase of $4.4 billion over two years (compared to a regular annual appropriation of about $2.5 billion). Rural broadband receives $2.5 billion of this, an amount that allows outlays through FY2015 that are 20-30 times more than recent annual appropriations.
- Assistance for farmers totals $744 million, including crop insurance/disaster programs ($674 million), aquaculture feed cost assistance ($50 million), and farm loan programs ($20 million).
- Conservation programs receive $348 million for watershed flood prevention ($290 million) and dam rehabilitation projects ($50 million).
- USDA receives $250 million for its own facilities maintenance ($200 million) and computer infrastructure ($50 million).
- The USDA Office of Inspector General receives $23 million for increased oversight and audits of these supplemental spending programs.
- Trade Adjustment Assistance for Farmers is reauthorized.

This report analyzes the agriculture, nutrition, and rural provisions in the ARRA.

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Background on the American Recovery and Reinvestment Act of 2009

On February 17, 2009, President Obama signed into law H.R. 1, the American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5). The House passed the conference agreement on February 13 by a vote of 246-183, and the Senate the same day by a vote of 60-38. Prior to the conference agreement, the House passed its bill on January 28, 2009, by a vote of 244-188. The Senate passed its version on February 10 by a vote of 61-37.

The Congressional Budget Office (CBO) estimates that the ARRA will cost $787 billion over 10 years,[1] although most of its budget authority is slated for two fiscal years (FY2009-FY2010). Outlays and economic effects may occur in some programs over a longer period of time.[2]

The ARRA is a further response to the depth of the economic recession facing the United States (and the rest of the world) at the beginning of 2009. Both the Obama Administration and many Members of Congress had called for an economic stimulus package to follow the Troubled Asset Relief Program (TARP) that was enacted in October 2008 (P.L. 110-343, Emergency Economic Stabilization Act of 2008). The TARP was focused primarily on the recovery of financial institutions.[3] The ARRA—billed as an economic stimulus package—is focused on stimulating the economy via individual and business economic activity. The package boosts government spending on various infrastructure programs[4] and certain government benefits programs. It also offers tax incentives and benefits for individuals and businesses.[5]

The enacted ARRA's cost is less than either the House- or Senate-passed versions, $820 billion[6] and $838 billion,[7] respectively. Of the ARRA's $787 billion total, $308 billion (39%) is appropriations—mostly discretionary spending for government agencies to use on various forms of infrastructure development, benefits programs, and government loan and grant programs. The stimulus spending will be tracked online at http://www.recovery.gov.

This report analyzes the agriculture, nutrition, and rural provisions in the ARRA.

[1] Congressional Budget Office, "Estimated Cost of the Conference Agreement for H.R. 1, the American Recovery and Reinvestment Act of 2009," February 13, 2009, at http://www.cbo.gov/ftpdocs/99xx/doc9989/hr1conference.pdf.

[2] Congressional Budget Office, "Estimated Economic Impacts of a Stimulus Package," February 11, 2009, at http://www.cbo.gov/ftpdocs/99xx/doc9987/Gregg_Year-by-Year_Stimulus.pdf.

[3] See CRS Report RL34730, *The Emergency Economic Stabilization Act and Recent Financial Turmoil: Issues and Analysis*, by Baird Webel and Edward V. Murphy.

[4] See CRS Report R40107, *The Role of Public Works Infrastructure in Economic Stimulus*, coordinated by Claudia Copeland.

[5] See CRS Report R40104, *Economic Stimulus: Issues and Policies*, by Jane G. Gravelle, Thomas L. Hungerford, and Marc Labonte.

[6] Congressional Budget Office, "Estimated Budgetary Impact of H.R. 1 as Passed by the House," January 30, 2009, at http://www.cbo.gov/ftpdocs/99xx/doc9976/hr1aspassed.pdf.

[7] Congressional Budget Office, "Summary of Estimated Cost of H.R. 1 as Passed by the Senate," February 11, 2009, at http://www.cbo.gov/ftpdocs/99xx/doc9984/hr1senatepassed.pdf.

Agriculture, Nutrition, and Rural Programs

Agriculture, nutrition, and rural programs—including food assistance, rural development, farmer assistance, conservation, and other related programs (a few of which are administered outside the U.S. Department of Agriculture (USDA))—would receive about $26.6 billion of the $787 billion in the enacted ARRA (about 3.4%, **Figure 1**). This is a compromise between the $27.2 billion for comparable programs in the House-passed bill and $24.5 billion in the Senate-passed bill (**Table 1**). These amounts are to supplement existing programs funded by the appropriations committee. They do not include amounts that farmers or rural areas might receive along with the rest of the country under other areas of the stimulus package—such as transportation, bio-energy, health, and education programs—that are unspecified in their geographic or rural distribution.

The $26.6 billion for agriculture, nutrition, and rural programs is allocated as follows (**Figure 2**, **Table 1**):

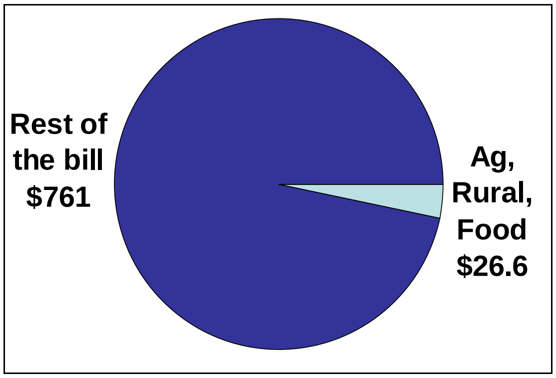
- Nutrition assistance programs receive $20.8 billion. Food stamp benefits in the newly renamed Supplemental Nutrition Assistance Program (SNAP) represent the largest single increase and rise 20% on average from current levels.
- Rural development receives a sizeable increase of $4.4 billion over two years (compared to a regular annual appropriation of about $2.5 billion). Rural broadband receives $2.5 billion of this, an amount that allows outlays through FY2015 that are 20-30 times more than recent annual appropriations.
- Assistance for farmers totals $744 million, including crop insurance/disaster programs ($674 million) and farm loan programs ($20 million).
- Conservation programs receive $348 million for watershed flood prevention ($290 million) and dam rehabilitation projects ($50 million).
- USDA receives $250 million for its own facilities maintenance ($200 million) and computer infrastructure ($50 million).
- The USDA Office of Inspector General receives $23 million for increased oversight and audits of these supplemental spending programs.
- Trade Adjustment Assistance for Farmers is reauthorized.

The conference agreement generally follows the House-passed bill for the biggest nutrition programs, while picking up a few provisions from the Senate bill and omitting a House provision for an after-school feeding program. The rural broadband and conservation provisions generally follow the House bill, while amounts for these and other rural development programs are reduced to accommodate the smaller Senate bill. This is particularly important for rural broadband, since the Senate bill would have given all broadband money to the Department of Commerce with a carve-out for rural areas. Amounts for USDA facilities and computer infrastructure follow Senate-passed levels rather than higher House-passed amounts, which was a particularly large reduction for requested Farm Service Agency computer improvements. The farmer assistance programs, originally only in the Senate-passed bill, remained in the enacted law. But the supplement for farm loan programs was reduced, despite the increased demand for USDA farm loans as a lender of last resort in the financial crisis.

The enacted ARRA does not fund a USDA biorefinery program, the Rural Energy for America Program, or agricultural research grants. It also did not retain language about “downner” cattle.

Figure 1. Agriculture, Nutrition, and Rural Share of the ARRA

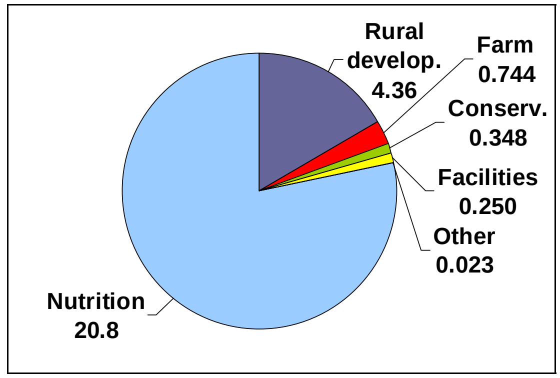
(dollars in billions)



Source: CRS, from CBO estimates.

Figure 2. Agriculture, Nutrition, and Rural Programs in the ARRA

(dollars in billions)



Source: CRS, from CBO estimates.

Table 1. Agriculture, Nutrition, and Rural Provisions in the American Recovery and Reinvestment Act of 2009 (P.L. 111-5)

(budget authority in millions of dollars, 10-year CBO scores)

Agricultural Program	House	Senate	Enacted
Nutrition Assistance			
SNAP (formerly Food Stamps)[a]	19,991	16,557	19,986
WIC benefits contingency fund	—	380	400
WIC management information systems	100	120	100
Emergency food assistance	150	150	150
Seniors nutrition programs[b]	200	100	100
School lunch program equipment assistance	—	100	100
Food Distribution Program on Indian Reservations	—	5	5
After-school feeding program	726	—	—
Subtotal, Nutrition Assistance	**21,167**	**17,412**	**20,841**
Rural Development			
Rural broadband infrastructure development	2,825	3,325[c]	2,500
Rural water and waste disposal program	1,500	1,375	1,380
Rural housing service	500	200	200
Rural community facilities program	200	127	130
Rural business program	100	150	150
Distance learning and telemedicine program	—	100	—
Biorefinery program	—	200	—
Salaries and expenses	—	80	—
Rural Energy for America program	—	50	—
Subtotal, Rural Development	**5,125**	**5,607**	**4,360**

Agricultural Program	House	Senate	Enacted
Farmer Assistance			
Agricultural crop disaster assistance	—	674	674
Aquaculture feed cost assistance	—	50	50
FSA farm loan program (including emergency loans)	—	71	20
Subtotal, Farmer Assistance	**—**	**794**	**744**
Conservation			
NRCS watershed and flood prevention	175	275	145
NRCS floodplain easements	175		145
NRCS watershed rehabilitation program	50	65	50
Farm bill administration (conservation technical assistance)	—	34	8
Subtotal, Conservation	**400**	**374**	**348**
USDA facilities infrastructure			
USDA for facilities infrastructure	—	200	—
ARS facilities deferred maintenance	209	—	176
USDA headquarters repair and improvements	44	—	24
FSA information technology / administration	245	54	50
Subtotal, USDA facilities infrastructure	**498**	**254**	**250**
Other			
USDA Office of Inspector General	23	23	23
CSREES competitive research grants	—	50	—
Subtotal, Other	**23**	**73**	**23**
Total, Agriculture, Nutrition, and Rural Provisions	**27,213**	**24,514**	**26,566**

Source: CRS compilation from H.R. 1, H.Rept. 111-4, S.Rept. 111-3, H.Rept. 111-16, and CBO estimates. Includes rural and nutrition programs elsewhere in the bill that are not in the U.S. Department of Agriculture.

Notes: In general, budget authority in the stimulus bill is for two years (FY2009-FY2010, with the exception of certain nutrition programs described in the text), but outlays may be spread over a longer period.

a. Amounts for SNAP in this table include increased SNAP benefits, suspension of time limits for able-bodied adults without dependents, larger nutrition assistance block grants for Puerto Rico and American Samoa, and additional payments for SNAP administrative costs.

b. The seniors nutrition program authorized by the Older Americans Act is operated by the Administration on Aging in the Department of Health and Human Services, not the U.S. Department of Agriculture.

c. Senate-passed H.R. 1 states that the budget authority for rural broadband is 50% of the $6.65 billion specified for the Department of Commerce National Telecommunications and Information Administration, inferred in the bill as follows: "50% of the funds … shall be used to support projects in rural communities, which in part may be transferred to the Department of Agriculture for administration through the Rural Utilities Service if deemed necessary and appropriate by the Secretary of Commerce."

Nutrition Assistance

The enacted ARRA includes nine items that substantially increase spending on domestic food assistance programs. The Congressional Budget Office (CBO) estimates total new spending on these initiatives at $11.5 billion in the first two years (FY2009-FY2010) and $20.8 billion over ten years (through FY2019). The lion's share would go to pay for added benefits, loosened eligibility standards, and administrative costs under the Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp program), as well as more money for nutrition assistance grants to Puerto Rico and American Samoa (these grants operate in lieu of the SNAP). Other nutrition programs in the ARRA include the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program), Older Americans Act nutrition programs for seniors, equipment assistance for school meal programs, The Emergency Food Assistance Program (TEFAP), and the Food Distribution Program on Indian Reservations (FDPIR).

The House-passed version of the new law included eight items that would have increased spending on domestic food assistance programs. CBO estimated total new spending on these initiatives at $11.4 billion in the first two years (FY2009-FY2010) and $21.2 billion over ten years (through FY2019). As with the final law, the majority of spending would have gone to added benefits, loosened eligibility standards, and administrative costs under the SNAP, along with more funding for nutrition assistance grants for Puerto Rico and American Samoa. Other programs included in the House bill were management information system support for the WIC program, Older Americans Act nutrition programs, child nutrition after-school efforts, and TEFAP.

Although its provisions differed, the Senate-approved version covered seven of the eight areas touched on by the House (it did not include money for after-school programs) and added three new items affecting equipment assistance for school meal programs, contingency funding for the WIC program, and the new money for the FDPIR. Preliminary CBO estimates indicated that total new spending under the Senate's proposals would have been $13.8 billion in the first two years (FY2009-FY2010) and $17.5 billion over ten years (through FY2019).

Supplemental Nutrition Assistance Program Provisions

Under the ARRA, Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp program) benefits will be increased significantly, and time limits on eligibility for able-bodied adults without dependents will, in most cases, be suspended. Moreover, state agencies operating SNAP will receive extra administrative funding.

- SNAP benefits add to eligible low-income households' ability to cover their food costs out of their own income. Monthly allotments are based on the estimated cost of a minimally adequate diet. This means that the benefit for any recipient household equals the inflation-indexed cost of USDA's "Thrifty Food Plan" (its least costly diet calculation, the maximum benefit) varied by household size and adjusted for household income. In recognition of relatively rapid food-price inflation (benefits were last adjusted in October 2008), the new law substantially raises SNAP benefits (based on provisions in the House bill).

  The ARRA provides an immediate (effective in April 2009) across-the-board increase in SNAP benefits. This add-on is accomplished by raising by 13.6% the base Thrifty Food Plan amounts normally used to calculate benefits. This effectively boosts each recipient household's monthly benefit by an amount equal to 13.6% of the maximum (Thrifty Food Plan) benefit for its household size. For a one-person household, the added benefit will be $24 a month; for two persons, $44 a month; for three persons (the typical household) $63 a month; for four persons, $80 a month; and for larger households, higher amounts. As a result, the ARRA benefit will provide new support boosting present average household benefits by about 20%.

The new law also will increase present nutrition assistance grants for Puerto Rico and American Samoa by 13.6%, enabling them to raise benefit levels and cover higher administrative costs. SNAP benefit and the grants for Puerto Rico and American Samoa will continue at the new, higher levels set by the ARRA until normal annual indexing rules provide benefits/grants that surpass the value of the new add-on.

Finally, states are protected from federal financial penalties under SNAP "quality control" rules for most of the mistakes they or recipients may make under the new benefit provisions (as proposed in the Senate bill). CBO estimates that new SNAP benefits will cost $9.9 billion for FY2009-FY2010, noticeably increasing the $100 billion anticipated under pre-ARRA law. Added spending for Puerto Rico and American Samoa is expected to equal some $375 million for FY2009-FY2010.

  - The House effectively provided the same increase in SNAP benefits and new money for Puerto Rico and American Samoa set out in the final law.
  - On the other hand, the Senate would have immediately increased the base Thrifty Food Plan amounts used to calculate SNAP benefits by 85% for one month. For the remainder of FY2009, it would have boosted benefits by 12%. In FY2010 and FY2011, basic benefits would have remained 12% higher, until normal indexing rules caught up (similar to policy followed in the final law and the House bill). Nutrition assistance grants for Puerto Rico would have been increased by 12% through FY2011 (or until normal inflation indexing caught up). In FY2009 and FY2010, the Senate initiatives (including those for Puerto Rico and American Samoa) were expected to cost $12.5 billion, significantly more than the House provisions.

- SNAP eligibility for most able-bodied adults without dependents (ABAWDs) who are not working at least half-time is limited to 3 months out of every 36 months (without regard to their financial status). States have the option to waive this requirement in a number of circumstances, and most states take advantage of this option. Reacting to high unemployment rates, the ARRA (as in the House bill) effectively suspends this requirement for those who cannot find a job through FY2010. In the Senate version, the suspension would have lasted through FY2011. CBO estimates the cost of this suspension in the final bill at $300 million through FY2010.
- While SNAP benefit costs are entirely a federal responsibility, states operating SNAP share administrative costs with the federal government. Approximately half of administrative costs are picked up by states—estimated at between $2.5 and $3 billion in FY2008. Participation in the SNAP is rising dramatically, leading to higher administrative costs. Closely following provisions in both the

> House and Senate bills, the new law provides $145 million (FY2009) and $150 million (FY2010) in additional federal money for SNAP administrative costs, distributed based on state SNAP participation levels (including measures for recently increasing caseload burdens) and without requiring normal state matching funds. A small amount ($4.5 million) of this is set aside for federal oversight, monitoring, and evaluation of the effects of the new SNAP benefit and eligibility rules.

Women, Infants, and Children Program Provisions

The Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program) provides special vouchers for food purchases to lower-income pregnant/postpartum women, infants, and children judged to be at "nutritional risk"; it also offers nutrition education, medical referral, and breastfeeding initiatives. State agencies implementing the WIC program have consistently called for added support for implementing new or upgraded "management information systems" to improve their ability to deliver benefits more efficiently. Moreover, changing economic conditions and food-price inflation have made existing projections of the need for WIC funding increasingly uncertain.

The ARRA provides $400 million for a contingency reserve to support participation or food costs that exceed current budget estimates in the next two years. It also makes available an additional $100 million for WIC state agencies' management information system expansions/upgrades.

Both the House and Senate included funding for WIC management information systems (although they differed slightly in the dollar amount); the extra money for a contingency fund is derived from the Senate proposal.

Older Americans Act Nutrition Provision

Older Americans Act nutrition programs provide federal payments for meals served to seniors in congregate meal settings (e.g., senior citizens centers) and to those served with home-delivered meals ("meals-on-wheels"). For FY2009, approximately $800 million is available. In recognition of higher food and other costs faced by these programs, the ARRA (as in the Senate proposal) provides an immediate infusion of $100 million. The funds are to be allocated as follows: $65 million for congregate meal services, $32 million for home-delivered meal services, and $3 million for Native American nutrition services. The House bill would have made a total of $200 million available ($100 million for FY2009 and FY2010). This program, unlike other nutrition programs, is administered by the Administration on Aging in the Department of Health and Human Services and does not appear in the regular Agriculture Department appropriations.

The Emergency Food Assistance Program

The Emergency Food Assistance Program (TEFAP) buys federally purchased food commodities for emergency food assistance providers (like food banks and soup kitchens) tapped by states as regional and local sponsors. TEFAP also makes grants for distribution and storage costs incurred by sponsors. In FY2009, TEFAP is budgeted at $250 million in commodities and $50 million for distribution/storage costs. As in both the House and Senate bills, the ARRA makes an additional $150 million available through FY2010: $100 million for commodity acquisitions and $50 million for distribution/storage costs.

School Equipment Grants

Child nutrition programs do not provide direct assistance to schools covering costs related to the equipment used to provide meals. Drawing from the Senate bill, the new law makes $100 million available to states for use in making competitive grants to schools (based on need) for school food service equipment. The House bill did not contain a comparable amendment and a Senate provision allowing for a specific reserve of money for enhancement to states' commodity distribution agencies' ordering and management systems was not included.

Food Distribution Program on Indian Reservations

At the discretion of individual tribes, the Food Distribution Program on Indian Reservations (FDPIR) provides monthly food packages in lieu of SNAP benefits; federal support includes the cost of commodities included in the food packages and administrative/distribution expenses. Spending on this program typically totals $80-$90 million a year. Closely tracking the Senate bill, the enacted ARRA makes an extra $5 million available for FDPIR costs related to facility improvements and equipment upgrades that make commodities more accessible to participants. The House bill did not include a comparable provision.

After-School Program Proposal

Child nutrition law (through the Child and Adult Care Food program and the School Lunch program) provides federal subsidies for snacks served by sponsors (like schools) of after-school programs. In eight states, after-school sponsors also may receive federal payments for suppers that they serve free to lower-income children—Delaware, Illinois, Michigan, Missouri, New York, Oregon, Pennsylvania, and West Virginia. The House would have expanded this rule to make after-school sponsors in all states eligible to receive federal subsidies for suppers, at an initial cost of some $50 million over FY2009 and FY2010 (more than $700 million through FY2019). The Senate bill contained no comparable proposal, and neither does the new law.

Longer-Term Effects

About 55% of the estimated new spending on ARRA's nutrition assistance provisions is expected to occur in FY2009 and FY2010. This is effectively the same proportion as under the House bill, but much lower than the 79% in the Senate. There is likely to be new spending beyond FY2010 for several reasons. Most important, the across-the-board percentage boosts in SNAP benefits and nutrition assistance grants for Puerto Rico and American Samoa may very well continue to have an effect on spending (causing budget outlays above currently expected levels, the CBO "baseline") if normal inflation indexing does not catch up with the new law's add-on percentage increases. Second, the terms of the ABAWD rule suspension will probably have effects beyond FY2010 because months receiving SNAP benefits during the suspension period will not be counted when the pre-ARRA rules come back into place. Third, while several provisions make new funding "available" through FY2010 (e.g., equipment assistance grants, WIC management information systems aid), significant outlays are probable beyond FY2010.

Finally, it should be noted that most of the documents accompanying the House, Senate, and final-law nutrition assistance packages, as well as the table included in this report, present estimates of total costs (through FY2019), whereas the discussion above differentiates spending by time periods and concentrates on spending through FY2010.

Rural Development

The enacted ARRA authorizes $4.36 billion in supplemental budget authority over two years for various rural development loan and grant programs. This is $1.25 billion less than the Senate measure and $765 million less than the House bill. The enacted law will support a total program level (direct and guaranteed loans and grants) of $24.37 billion (**Table 2**). These basically two-year amounts represent a sizeable increase compared to a regular annual appropriation of about $2.5 billion for all USDA Rural Development loan and grant programs and regular annual loan and grant level of about $16 billion.

Rural broadband and rural water projects account for 89% of the budget authority and 36% of the program level of rural development programs in the ARRA. Rural housing accounts for about half of the program level. The various loan and grant provisions are discussed below.

Broadband, Distance Learning, and Telemedicine Support

The enacted ARRA authorizes $2.5 billion for rural broadband loans and grants, $825 million less than the Senate measure and $325 million less than the House bill. The funds would be administered by the Rural Utilities Service (RUS).

The Senate bill authorized a Technology Opportunities Program (TOP) within the U.S. Department of Commerce and proposed a total of $6.50 billion in broadband funding for TOP, half of which would have been used to support projects in rural areas. All the Senate funding, however, was to be administered by TOP rather than by RUS. The House bill proposed $2.8 billion in supplemental budget authority to be administered by RUS. The House bill's proposed funding supported both broadband loans and grants, while the Senate bill supported broadband grants.

Report language for the ARRA states that the funding will be available for broadband infrastructure in any area of the United States, rather than to the more restricted rural definition in the statutory language of Title VI of the Rural Electrification Act of 1936.[8] At least 75% of the area to be served by rural broadband projects, however, must be in rural areas without sufficient access to high speed broadband to facilitate economic development. Priority in applications will go for projects (1) that will deliver end users a choice of more than one service provider; (2) that provide broadband service to the largest proportion of rural residents without access to broadband service; (3) that are from borrowers or former borrowers under the rural telephone loan programs; and (4) that can begin promptly after approval. Unlike the Senate bill, the ARRA does not require a 20% matching amount from applicants.

The House committee report stated an estimated program level of $5.5 billion in competitive grants and loans for rural broadband development.[9] Based on the loan and grant amount in the House bill, the enacted ARRA may support about $4.9 billion in loans and grants. The House committee report also projected that new service would be provided to 7,600 rural communities and 3.6 million rural residents and businesses, with 119,000 jobs created.

[8] Language in the 2008 farm bill (P.L. 110-246) authorizing broadband loans and loan guarantees excludes rural towns of 20,000 or more and prohibits eligibility to providers serving more than 20% of the market.

[9] House Appropriations Committee, *Report to accompany The American Recovery and Reinvestment Act of 2009*, 111th Cong., January 26, 2009, H.Rept. 111-4.

Table 2. Rural Development in the American Recovery and Reinvestment Act of 2009: Budget and Program Levels

(dollars in millions; amounts in H.R. 1 reflect 10-year scores)

	P.L. 110-161		American Recovery and Reinvestment Act of 2009					
	FY2008 or Baseline		House		Senate		Enacted (P.L. 111-5)	
Rural Development Programs	**Budget Authority**	**Program Level**	**Budget Authority**	**Program Level**	**Budget Authority**	**Program Level**	**Budget Authority**	**Program Level**
Rural broadband infrastructure development	20	298	2,825	5,500	3,325[a]	3,325	2,500	4,867[d]
Rural water and waste disposal program	559	1,097	1,500	3,836	1,375	3,783	1,380	3,788
Rural housing fund program	207	5,567	500	22,129	200	11,472	200	11,472
Rural community facilities program	68	501	200	1,239	127	1,546	130	1,234
Rural business program	87	993	100	2,013	150	3,010	150	3,010
Distance learning and telemedicine program	35	35	—	—	100	497[e]	—	—
Biorefinery program	75[b]	—[c]	—	—	200	—[c]	—	—
Rural Energy for America program	55[b]	—[c]	—	—	50	—[c]	—	—
Salaries and expenses	169	—	—	—	80	—	—	—
Other rural development programs	1,060	8,049	—	—	—	—	—	—
Subtotal, Rural Development	**2,334**	**16,540**	**5,125**	**34,717**	**5,607**	**23,633**	**4,360**	**24,371**

Source: CRS compilation from H.R. 1, H.Rept. 111-4, and S.Rept. 111-3, H.Rept. 111-16. Amounts for FY2008 are from S.Rept. 110-426 (S. 3289) or P.L. 110-246.

Notes: *Budget authority* reflects the cost to an agency of salaries, expenses, and the costs of making loans and grants such as interest subsidies and projected non-repayment of loans. *Program level* reflects the benefits derived by recipients, such as the sum of grants, direct loans, and loans guaranteed.

a. Senate budget authority for the rural broadband amount is 50% of the $8.65 billion specified for the Department of Commerce National Telecommunications and Information Administration, inferred in the bill as follows: "50% of the funds…shall be used to support projects in rural communities, which in part may be transferred to the Department of Agriculture for administration through the Rural Utilities Service if deemed necessary and appropriate by the Secretary of Commerce."

b. Mandatory funding specified in the 2008 farm bill. However, the FY2009 Senate-reported agriculture appropriations bill (S. 3289, S.Rept. 110-426) would reduce the biorefinery program's $75 million to $72 million, and the Rural Energy for America program's $55 million to zero.

c. Not specified in the bill or report language.

d. Not specified in the bill or report language. Computed assuming the ratio of program level to budget authority in the House bill.

e. The original Senate bill (S.Amdt. 98) provided $200 million budget authority for $993 million program level. The Senate-passed bill cut the budget authority by half.

As part of the TOP funding in the Department of Commerce, the enacted ARRA adopts Senate provisions to target $200 million to expand public computing capacity at community colleges and libraries, provide $250 million for grants to encourage adoption of broadband services, and provide $350 million for the National Telecommunications and Information Administration (NTIA) to carry out a broadband mapping project. While part of TOP, these targeted funds could benefit rural areas. The ARRA also adopts Senate language to provide an additional $650 million for NTIA's Digital Television (DTV) converter box program, funding that might also benefit rural businesses and residences.

CBO estimates that rural broadband outlays will occur primarily from FY2010 to FY2015, generally ranging from $300 million to $600 million in budget authority annually (see footnote 1). Even after accounting for spreading the stimulus budget authority over a longer period than two years, the level of support in the enacted law, as it was in the House and Senate bills, is about 20-30 times more than the rural broadband program has received in recent years. In FY2008, the program received about $20 million in budget authority to support about $313 million in loans and grants.

Given the large proposed increases in funding for broadband development (both rural and nonrural), questions may arise regarding the capacity of the designated federal agencies to effectively manage the grant and loan application and oversight process. USDA's RUS has many years of successful management of telecommunication loans and grants, but the sheer size of the proposed expansion and the speed of implementation could prove challenging even for this agency. Moreover, it was concern with RUS's difficulties implementing Enhanced Access to Rural Broadband in the 2002 farm bill that led to the Senate bill putting the rural broadband stimulus funding in the Department of Commerce. That 2002 farm bill provision authorized loan guarantees under conditions that broadband service providers have capital reserve requirements, matching funding, and preparation of a sophisticated business plan, among other requirements. After making some initial loan guarantees and reviewing the quality of applications for funding under the Enhanced Access program, RUS determined that they needed to initiate an education program for would-be providers and reconsider the original program requirements before approving new loan guarantees—fulfilling the agency's due diligence obligations. The program's regulations were substantially revised, and a revised program was reauthorized in the 2008 farm bill (P.L. 110-246).

The appropriation to the TOP in U.S. Department of Commerce's NTIA could prove even more of a challenge for oversight and administration than for RUS. The TOP has not been funded since 2004. Between 1994 and 2004, TOP managed a relatively small grants program (610 grants totaling $233.5 million) that supported demonstrations of new telecommunications and information technologies. The new $4.7 billion program of loans and grants will be a major undertaking for TOP and the NTIA.

The enacted ARRA does not provide the broadband investment tax credits that were proposed in the Senate bill. Tax credits in the Senate bill were valued at 10%-20% of broadband expenditures in the respective tax year. The amount of the tax credit was based on a company's expenditures for "current generation" broadband technologies and "next generation technologies," with the latter receiving larger credits for expenditures.[10]

[10] CRS Report R40149, *Infrastructure Programs: What's Different About Broadband?*, by Charles B. Goldfarb and (continued...)

The ARRA also does not authorize funding for the rural distance learning and telemedicine (DLTM) program administered by RUS. The Senate bill proposed $100 million in supplemental budget authority for the DLTM program, which supported a program level of $497 million in loans and grants for the DLTM program.

Rural Water and Waste Water Assistance

The ARRA authorizes $1.380 billion for the USDA water and waste water loan and grant program, $5 million more than the Senate bill and $120 million less than the House bill. The enacted funding will support a program level of $3.8 billion ($2.8 billion in direct loans and $968 million in grants).

Rural water and waste water disposal loans and grants are administered by USDA's Rural Utilities Service (RUS). Funds support construction of and improvements to community drinking water and wastewater treatment projects serving rural households and businesses. On an annual basis, the enacted funding is more than double the regular annual appropriations for RUS water and waste water programs, which in FY2008 received about $560 million in budget authority to support about $1.2 billion of loans. Similar to the backlog in other rural development programs, $2.4 billion in applications for water and waste loans and $990 million for water and waste grants went unfunded in FY2008.

Rural Housing Assistance

The enacted ARRA authorizes $200 million in supplemental budget authority for rural housing, the same as proposed by the Senate bill. The House-passed bill proposed $500 million. The ARRA's $200 million of budget authority will support a program level of $11.5 billion of direct and guaranteed loans. Within this loan authorization level, $10.5 billion is for Section 502 guaranteed single-family home loans, and $1.0 billion is for Section 502 direct single-family home loans. In the House bill, $18 billion was proposed for loan guarantees and $4 billion for direct loans.

The Section 502 single family housing loan program is the largest part of the RHS portfolio. Section 502 loans are primarily used to help low-income individuals or households purchase modest homes in rural areas. Funds can be used to build, repair, renovate, or relocate a home, or to purchase and prepare sites, including providing water and sewage facilities. In 2008, there was a $2.6 billion backlog of unfunded applications for the Section 502 housing program.

The enacted ARRA does not include the House measure for rural housing assistance ($10 million) under the Self-Help and Assisted Homeownership Opportunity Program (SHOP) funded through the Department of Housing and Urban Development. This program supports eligible local and regional nonprofit housing organizations to develop or rehabilitate low-income rural housing.

(...continued)

Lennard G. Kruger; CRS Report RL30719, *Broadband Internet Access and the Digital Divide: Federal Assistance Programs*, by Lennard G. Kruger and Angele A. Gilroy.

Rural Community Facilities

USDA's Rural Housing Service (RHS) administers the Community Facilities loan and grant program. This program provides support for "essential" community facilities in rural communities (e.g., public safety, libraries, education, community centers, day care, and rural medical clinics). The enacted ARRA authorizes $130 million in supplemental budget authority to support a program level of $1.23 billion ($1.17 billion for direct loans and $63 million for grants). Although the enacted budget authority is $70 million less than that proposed in the House measure, the authorized funding would support nearly the same in program funding as the House bill and about $310 million less than the Senate measure due to the allocation of loans versus grants.

In FY2008, the community facilities account received about $68 million of budget authority. Like most rural development programs, applications for the community facilities exceed the regular annual appropriations to support the various projects. Currently, there are approximately $1.2 billion in pending loan and grant applications.

Rural Business Development

Rural business development is supported by USDA's Rural Business-Cooperative Service (RBS). The enacted law authorizes $150 million in budget authority to support a program level of $3 billion in Business and Industry Guaranteed loans and Rural Business Enterprise Grants. This is the same as proposed by the Senate bill and 50% more than the House bill.

Rural businesses can often be at a disadvantage in borrowing, especially in the current period of high demand and tightened credit. Private sector loans to rural businesses backed by federal guarantees (e.g., the Business and Industry Guaranteed loan program) have become increasingly important sources of capital to rural businesses.

Other Rural Funding

The ARRA authorizes no funding for biorefinery loans and grants or for the Rural Energy for America Program (REAP). The Senate bill proposed funding of $200 and $50 million respectively for these programs. Both programs are slated to receive mandatory funds in the 2008 farm bill, but the Senate-reported FY2009 agriculture appropriations bill would reduce the mandatory funding levels.[11] REAP provides loans and grants to promote energy efficiency and renewable energy development for agricultural producers and rural small businesses.

Funding proposed in the bills for other programs might also affect rural areas, although the funds are not explicitly targeted to rural areas nor are they administered by USDA Rural Development agencies. Tax reductions to businesses, small business tax credits, economic development assistance, funds to modernize roads and bridges, school construction, and health care facilities could also provide new assistance to rural areas.

[11] The FY2009 Senate-reported agriculture appropriations bill (S. 3289, S.Rept. 110-426) would reduce the biorefinery program's $75 million of mandatory funding to $72 million, and the Rural Energy for America program's $55 million to zero. See also the section "limits on mandatory program spending" in CRS Report R40000, *Agriculture and Related Agencies: FY2009 Appropriations*, coordinated by Jim Monke.

Farmer Assistance

The enacted ARRA contains $744 million to directly assist farmers, including $674 million for crop disaster programs (primarily the supplemental revenue assistance program (SURE)), $50 million for aquaculture feed price assistance, and $20 million for the USDA Farm Service Agency farm operating loan program.

Supplemental Revenue Assistance Program Eligibility and Payments

The new supplemental revenue assistance payment (SURE) program in the 2008 farm bill may have greater participation because the enacted ARRA allows producers who did not enroll in the federal crop insurance or the noninsured crop disaster program—normally a requirement for participating in SURE—to still participate in SURE for 2008. It also allows potentially higher SURE payments than producers otherwise would have received. Thus, while not an ad hoc disaster program, the ARRA provision is a one-year modification of this new and permanent agriculture disaster program.

CBO estimates that these provisions would cost about $674 million. About $100-$150 million of this amount would be for the cost of higher crop insurance subsidies, and $500-$600 million would be for higher SURE program benefits.

Regarding the origins of SURE, Congress has provided ad hoc disaster assistance to farmers and ranchers experiencing significant weather-related production losses in virtually every crop year between 1988 and 2007. The 2008 farm bill (P.L. 110-246) authorized a new $3.8 billion trust fund to cover the cost of making agricultural disaster assistance available over a four-year period (FY2008-FY2011) through an array of new programs. The largest of these programs is the SURE program for crop producers, which is designed to supplement payments made by two ongoing federal programs—the federal crop insurance program and the noninsured crop disaster assistance program (NAP).[12]

Although enrollment in crop insurance and NAP is a prerequisite for receiving a SURE payment, the enacted ARRA would allow crop producers who did not enroll in either program for 2008 to participate in the SURE program, as long as the producer pays a $100 administrative fee normally paid for the lowest level of crop insurance coverage or NAP assistance. The 2008 farm bill made a similar exception for those not enrolled in crop insurance or NAP for 2008, but the buy-in fee had to be paid by September 16, 2008. Under the ARRA, the producer would be required to pay the fee within 90 days of enactment of the conference agreement (by about May 18, 2009), and would have to commit to purchasing a crop insurance policy or NAP coverage for the next available crop year.

Additionally, the enacted law would allow all producers to receive potentially higher SURE payments than they otherwise would have received by altering the payment formula.

[12] For more information on the mechanics of these programs, see CRS Report RS21212, *Agricultural Disaster Assistance*, by Ralph M. Chite.

Aquaculture Grants

The enacted ARRA authorizes a new $50 million grant program for aquaculture producers to compensate them for their share of high feed prices in 2008. There is no feed cost support in the ARRA for producers other than aquaculture.

Feed costs for livestock, poultry, and aquaculture producers reached high levels in 2008, when the cost of soybean- and corn-based ingredients reached record levels. The costs of these particular ingredients have moderated recently given the general drop in commodity prices during the fall of 2008 and the global financial crisis.

Grants would be made by USDA to the states within 120 days of enactment, prorated by the amount of aquaculture feed used by each state in 2007. A recipient state must demonstrate to USDA that it will provide the grants to eligible recipients within 60 days of receiving the funds, and then file a report to USDA on how the assistance was provided within 30 days after disbursement.

Any aquaculture producer who receives a grant under this provision would be ineligible for disaster assistance under the 2008 farm bill-authorized Emergency Assistance for Livestock, Honey Bees, and Farm Raised Fish program (a livestock counterpart to the SURE program) that provides up to $50 million to compensate these producers for disaster losses not covered under other disaster programs.

Farm Loan Programs

The enacted ARRA includes $20 million in budget authority (loan subsidy) for the USDA Farm Service Agency (FSA) to support $173 million in direct farm operating loans. This is 80% less than the $850 million in loan authority that the Senate-passed bill would have provided for direct and guaranteed farm operating, farm ownership, and emergency loans. The House-passed version had no funding for farm loans (**Table 3**).

FSA lends to farmers and ranchers who are not able to obtain credit from commercial lenders. It makes direct loans and services them, and guarantees some loans made by commercial lenders to farmers. As such, it is often referred to as a "lender of last resort." FSA's regular annual budget for farm loans is usually about $150 million to support $3.5 billion in loans.[13]

The loans supported by the stimulus are targeted to direct farm operating loans because the demand for FSA direct loans is increasing much faster than the demand for guaranteed loans in the current financial environment.[14] The demand for direct farm operating loans (the loans farmers use to buy seed, fertilizer, and fuel to plant a crop), in particular, is up about 200% or more from this time last year, according to agency officials. Thus, FSA is expecting—and is already experiencing—significantly higher demand for its loans in FY2009. However, funding for these loans is nearly constant under both the continuing resolution and the Senate-reported agriculture appropriations bill for FY2009. Consequently, FSA was expecting to not have enough funding available for the increased demand for farm loans in FY2009. The stimulus funding will satisfy some, but likely not all, of this demand.

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[13] FSA also receives over $300 million annually for salaries and expenses to administer the program.

[14] Direct loans are made by the government to the least credit-worthy borrowers who still qualify for loans. The government also guarantees commercial loans made to farmers who otherwise could not get a commercial loan without the government guarantee of repayment. Guaranteed loans are a way of graduating borrowers out of direct loans.

Table 3. Farm Loans in the American Recovery and Reinvestment Act of 2009: Budget and Loan Authority

(dollars in millions)

	FY2008 (P.L. 110-161)		American Recovery and Reinvestment Act of 2009					
			House		Senate		Enacted (P.L. 111-5)	
FSA Farm Loan Program	**Budget Authority**	**Loan Authority**	**Budget Authority**	**Loan Authority**	**Budget Authority**	**Loan Authority**	**Budget Authority**	**Loan Authority**
Farm ownership loans								
Direct	9.9	222	—	—	17.2	300	—	—
Guaranteed	5.0	1,239	—	—	0.3	100	—	—
Farm operating loans								
Direct	73.0	575	—	—	23.6	200	20	173
Guaranteed (unsubsidized)	24.6	1,017	—	—	1.3	50	—	—
Guaranteed (interest assistance)	36.0	270	—	—	0.0	0	—	—
Emergency loans	0[a]	0[a]	—	—	28.4	200	—	—
Subtotal, loan subsidies and authorities	**148.5**	**3,324**	**0**	**0**	**70.9**	**850**	**20**	**173**
Salaries and expenses	**309.1**	—	—	—	—	—	—	—
Subtotal, FSA Farm Loan Program	**457.6**	**3,324**	**0**	**0**	**70.9**	**850**	**20**	**173**

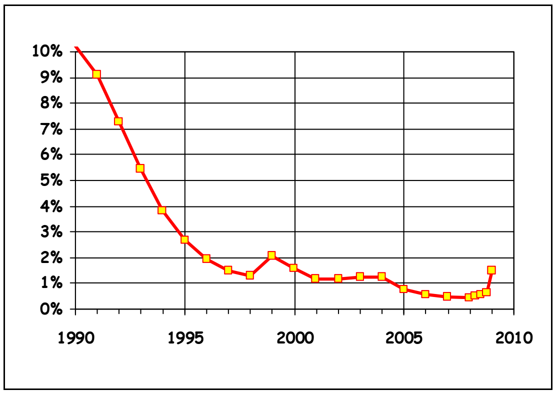
Source: CRS compilation from H.R. 1, and S.Rept. 111-3. Amounts for FY2008 are from S.Rept. 110-426 (S. 3289).

Notes: *Budget authority* reflects the cost of making loans, such as interest subsidies and projected non-repayment of loans. *Loan authority* reflects the amount of loans that the agency may make or guarantee.

a. No new money has been appropriated for several years given availability of carryover funds. At the end of 2008, the emergency loan program had about $84 million in unobligated loan authority.

While the global financial crisis has been slower to affect the balance sheets of farmers and agricultural lenders than the housing market, it has begun to take its toll.[15] Farm commodity prices have fallen since last summer with the rest of the market, reducing expectations for farm income in 2009. USDA expects net farm income to decline 20% in 2009,[16] and this may reduce some farmers' ability to repay loans later in the year. And while default rates have been historically low in recent years for all farm lenders, they appear to have bottomed out and begun to rise since the middle of 2008. For example, Farm Credit System nonperforming loans more than tripled (albeit from historically low levels) in 2008, rising from 0.43% to 1.5%,[17] a level not seen since the mid-1990s, when the system had finally recovered from the farm financial crisis of the 1980s (**Figure 3**). The Kansas City Federal Reserve Bank also notes a rise in agricultural loan delinquency in the first three quarters of 2008, from 1.08% to 1.23% (**Figure 4**).

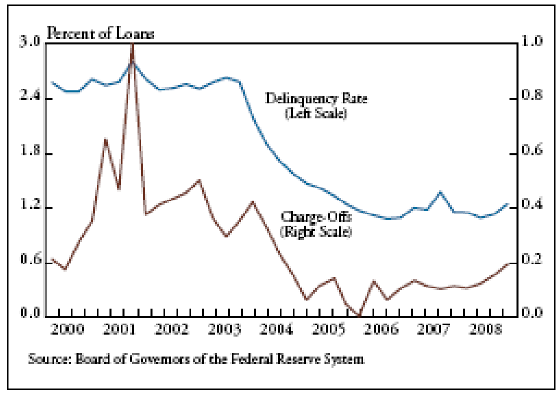
Figure 3. Farm Credit System Nonperforming Loans



Source: CRS, using Farm Credit System data

Notes: Nonperforming loans include nonaccrual loans, accruing restructured loans, and accruing loans 90 days or more past due.

Figure 4. Delinquency Rate and Charge-Offs on Agricultural Loans



Source: Federal Reserve Bank of Kansas City, *Main Street Economist*, Issue I, February 2009.

On the lenders' side, agricultural lenders face challenges not unlike other banks in accessing capital. While some independent rural banks may be less affected than urban money center banks, the rural banks are not immune to the financial crisis. For example, the Farm Credit System (FCS)—a private entity but still a government-sponsored enterprise—is very dependent on the bond market and has felt the shock of the financial crisis in its ability to sell bonds to fund its loans. Although its bonds are still credit-worthy and able to be sold, the terms of FCS's recent bond sales reflect the change and turmoil in the financial markets.

[15] Jason Henderson, "Agricultural Credit Standards Tighten," *The Main Street Economist* (Federal Bank of Kansas City), vol. IV, issue I, February 2009, at http://www.kansascityfed.org/RegionalAffairs/MainStreet/MSE_0109.pdf.

[16] For more information on farm income expectations, see CRS Report R40152, *U.S. Farm Income*, by Randy Schnepf.

[17] Federal Farm Credit Banks Funding Corporation, "Farm Credit System Reports Net Income of $2.916 Billion For 2008," press release, February 19, 2009, at http://www.farmcredit-ffcb.com/farmcredit/serve/public/pressre/finin/report.pdf?assetId=127528.

As a consequence of the global financial crisis, agricultural lenders are expected to tighten credit standards this year—at a minimum requiring more documentation and oversight of loans, and possibly making or having less credit available to producers.[18]

Conservation Programs

USDA conservation programs administered by the Natural Resources Conservation Service (NRCS) receive $348 million in the enacted ARRA, which is $52 million less than the House bill and $26 million less than the Senate version.

Most is for watershed and flood prevention projects or easements. The conference agreement would provide $290 million for watershed and flood prevention divided in half, with $145 million for watershed and flood prevention construction projects and $145 million to purchase floodplain easements. For dam rehabilitation, the conference agreement would provide $50 million. It also provides $8 million in mandatory funding for technical assistance to implement 2008 farm bill programs.

The ARRA does not include language in the Senate bill that would have allowed state and local governments to once again receive benefits in the Conservation Reserve Program (CRP).

Watershed and Flood Prevention Operations

The enacted ARRA provides $145 million for Watershed and Flood Prevention Operations to fund financial and technical assistance to plan[19] and install projects on private lands (such as improvements for soil conservation and the utilization and disposal of water). The House version would have provided $30 million more than enacted, and the Senate-passed version $130 million more than enacted (**Table 1**). The watershed project costs are shared with local sponsors, states, and/or other public agencies. The new funds must be obligated by September 30, 2010; management and oversight expenses are not limited.

Regular appropriations for the program reached a high of $200 million in FY2002 and have declined steadily to $30 million in FY2008.[20] As appropriated funding decreased, the number of earmarks increased, reaching 85% of appropriated funding in FY2006.

Once a locally sponsored project completes required planning and environmental assessments, and signs an agreement with NRCS, it is considered an authorized watershed project and is eligible for funding. Currently there are over 300 unfunded authorized watershed projects totaling $1.28 billion. The $145 million in ARRA will alleviate only a small portion of the unfunded projects, but it will still provide greater funding than recent years' appropriations.

[18] For more information on agricultural credit, see CRS Report RS21977, *Agricultural Credit: Institutions and Issues*, by Jim Monke.

[19] Watershed projects are planned and approved under the authority of the Watershed Protection and Flood Prevention Act of 1954 (P.L. 83-566), and the Flood Control Act of 1944 (P.L. 78-534).

[20] Much of the decline was at the request of the Bush Administration.

Floodplain Easements

The remaining $145 million of the total $290 million for watershed protection would be used to purchase floodplain easements under the authority of the Emergency Watershed Protection (EWP) program. The House-passed bill would have provided $30 million more than enacted, but the Senate bill did not have funding for the easement program.

Under a floodplain easement, a landowner voluntarily offers to sell NRCS a permanent conservation easement that provides NRCS with full authority to restore and enhance the floodplain's functions and values.

NRCS maintains a list of easement offers totaling over $250 million in nine states that meet basic eligibility criteria. The conference committee report directs NRCS to conduct open enrollment nationwide and prioritize projects based on cost-effectiveness in providing the greatest public safety, flood protection, economic, and environmental benefit.[21]

Watershed Rehabilitation Program

The enacted ARRA provides $50 million to NRCS for the Watershed Rehabilitation Program, the same as the House-passed bill but $15 million less than the Senate-passed bill.

NRCS provides technical and financial assistance to watershed project sponsors to rehabilitate aging dams. In FY2007, 775 watershed dams previously built with NRCS assistance reached the end of their designated life span. By 2015, USDA estimates this number will exceed 4,300. If a dam should fail, a serious threat would be posed to the health and safety of those living downstream.

The 2008 farm bill authorizes $100 million of one-time mandatory funding for the program in FY2009. The program was appropriated $20 million in discretionary funds in FY2008. According to NRCS, 28 states requested $42 million for 95 projects for FY2009, including 37 new projects and assessments of 102 dams.[22] The level funding in ARRA combined with annual appropriations and mandatory funding would cover the proposed projects as well as dam assessments. However, mandatory program funding in FY2009 is not guaranteed given limitations placed on spending in recent appropriations acts (including limitations in the Senate-reported FY2009 agriculture appropriations bill).[23] The number of dams reaching the end of their designed life span will only increase in future years.

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[21] U.S. Congress, *Conference report to accompany H.R. 1, The American Recovery and Reinvestment Act of 2009*, February 12, 2009, H.Rept. 111-16.

[22] USDA, NRCS, *Watershed Rehabilitation Progress Report—2008*, September 2008, http://www.nrcs.usda.gov/programs/WSRehab/Nat_Rehab_Report_08.pdf.

[23] The FY2009 Senate-reported agriculture appropriations bill (S. 3289, S.Rept. 110-426) would reduce the $100 million mandatory funding in FY2009 to zero for the Watershed Rehabilitation program. See also the section "limits on mandatory program spending" in CRS Report R40000, *Agriculture and Related Agencies: FY2009 Appropriations*, coordinated by Jim Monke.

Use of CCC for Farm Bill Administration

The enacted ARRA allows mandatory funds of the Commodity Credit Corporation (CCC) to be used for administrative expenses and technical assistance in the 2008 farm bill (Section 103). Similar language was in the Senate-passed bill, but clarifying language was added. The House bill did not include this section.

Since 1996, statute has prohibited or limited the use of CCC funds for certain administrative and information management activities. The provision would benefit conservation programs, because it states the allowance is not for Title I (farm commodity) programs. CBO estimates the cost of this provision at a total of $8 million for FY2009-FY2010 (the same as the Senate-passed bill for FY2009-FY2010, except that the Senate bill also applied to FY2011-FY2019 at an additional cost of $26 million).

Conservation Reserve Program (CRP)

The enacted ARRA does not have a provision that was in the Senate bill to allow a state, local government, political subdivision, or agency of the government to receive Conservation Reserve Program (CRP) payments.

Prior to the 2008 farm bill, state and local government entities (including public schools) were eligible to receive CRP payments, but Section 1603 of the 2008 farm bill, in amending payment limits, prohibited these public entities from receiving farm commodity subsidies and conservation program benefits. The Senate stimulus bills would have exempted CRP alone from this farm bill limitation and allowed state and local government entities to again receive CRP benefits.

USDA Facilities Infrastructure

The enacted ARRA has three provisions totaling $250 million that fund infrastructure maintenance or development within USDA, $4 million less than the Senate bill and $248 million less than the House bill. Some of the infrastructure outlays will remain at the USDA headquarters in Washington, DC, and some will be distributed by USDA to the department's research facilities throughout the country.

The conference agreement includes $176 million for Agricultural Research Service facilities maintenance and $24 million for USDA headquarters facilities improvements. When combined, this $200 million is the same as the Senate-passed amount for these types of facilities repairs, although the Senate bill would have given the Secretary discretion as to how it would be allocated. Comparing it to the House-passed bill, the $176 million for ARS facilities in the enacted law is $33 million less than in the House bill, and the $24 million for headquarters improvements is $20 million less than the House bill.

The conference agreement also includes $50 million for "maintaining and modernizing the information technology system" of the Farm Service Agency (FSA). This amount is $4 million less than the Senate-passed amount and $195 million less than the House version.

These projects are an ongoing need and have been difficult to fund in prior regular appropriations bills because of competing funding priorities and their relatively high cost given other choices. Funding them may be stimulative insofar as they require contracts with private construction companies for durable facilities repairs or purchases of computer equipment. They are intended to improve the ability of USDA to continue to serve its farmer clients, efficiently and safely house its employees, and continue to conduct its research mission.

Farm Service Agency Information Technology

The enacted ARRA provides $50 million to the Farm Service Agency (FSA) for maintaining and modernizing its information technology (computer) systems. The Senate-passed bill would have allowed $54 million and the House-passed bill considerably more, $245 million.

The enacted amount may allow USDA to address only the "stabilization" of the existing, outdated USDA mainframe system in FY2009. Stabilization for FY2010 and modernization plans through FY2011 will need future appropriations of about $340 million according to USDA's plans, some of which would have been funded in the House-passed bill.

For many years, FSA has had problems with an outdated mainframe computer system. FSA is the agency that administers the farm commodity subsidy programs. Its service to farmers—particularly through its network of county offices where enrollment and verification occurs—has been jeopardized by computer malfunctions. At one time in 2007, the computer system would fail daily or county offices would be rationed in the amount of time they would be allowed to use or access their computers because of overloading the system. Data processing requirements are increasing with each farm bill, and the 2008 farm bill's new Average Crop Revenue Election (ACRE) and adjusted gross income limits are expected to further stress the antiquated computer system. For many years, FSA has sought increased funding for computers, and to some extent partial funding has been appropriated through annual appropriations bills, but the computer problems have continued.

Following the 2007 computer system failures, USDA developed a "stabilization and modernization" plan in consultation with industry experts. The stabilization plan is meant to shore up the current computer system while upgrades are implemented and prepare it for migration to the new system. The modernization plan (called MIDAS, "modernize and innovate the delivery of agricultural systems") would replace antiquated mainframe hardware that relies on the outdated COBOL computer language with a modern Web-based system.

In August 2008, FSA estimated that the stabilization plan needed $87 million in additional funding through its duration of FY2010. For the modernization plan, the development and initial implementation of MIDAS was estimated to cost $305 million over a three-year period (FY2009-FY2011).[24] In August 2008, the Bush Administration made a supplemental FY2009 budget request for $172 million for FSA computers, including $51 million for stabilization, $66 million for MIDAS costs in FY2009, and $55 million for costs to implement the 2008 farm bill.

Based on figures in USDA's stabilization and modernization plan, the $245 million in House-passed H.R. 1 would have funded the $87 million stabilization plan through FY2010 and the estimated costs of MIDAS in FY2009-FY2010 (about half of MIDAS implementation costs). The enacted $50 million will address only the FY2009 stabilization requirements.

[24] USDA Farm Service Agency, "Farm Service Agency Modernization and IT Stabilization Plan: Response to Congressional Directives," August 2008. FSA expects to fund an additional estimated $20 million in annual operations costs for MIDAS from its annual salaries and expenses appropriation.

Agricultural Research Service Facilities Maintenance

The Agricultural Research Service (ARS) is USDA's in-house science agency that conducts long-term basic and applied research on subjects of national and regional importance. Its annual budget consists of about $1 billion for salaries and expenses for personnel to conduct experiments and maintain facilities, and a much smaller amount for the construction of new facilities. Over time, the maintenance of various USDA-owned facilities has lagged.

The enacted ARRA provides $176 million for work on critical deferred maintenance projects. ARS has identified $315 million worth of deferred maintenance projects at its facilities all over the country. The House committee report stated that the $209 million in the House-passed bill would fully fund the list of "critical" maintenance needs (footnote 9). Presumably, the maintenance program would require contracts with local construction companies to perform the work.

USDA Headquarters Repair and Improvements

The enacted ARRA provides $24 million for construction, repair, and improvement projects at USDA's headquarters complex in Washington, D.C. The conference report states that the funding is for "priority maintenance, repair, and modernization investments in USDA's headquarters buildings and facilities" (footnote 21) on Independence Avenue in Washington, DC. The House committee report used similar language, citing "long-delayed modernization and security improvements" (footnote 9).

Office of Inspector General

The enacted ARRA provides $22.5 million of additional funding for the USDA Office of Inspector General (OIG), part of supplemental funding for OIG's throughout the government. The purpose of the funding is to allow for additional oversight and audit activities related to the spending in the stimulus package. The funding remains available until the end of FY2013. Both the House and Senate versions of the bill would have provided basically the same amount, although the duration in the Senate bill was only through FY2011. In FY2008, the USDA Office of Inspector General received $79 million. If the supplemental funding is divided equally over five fiscal years, it represents about a 6% increase for the USDA OIG.

Trade Adjustment Assistance for Farmers

The enacted ARRA temporarily amends the Trade Adjustment Assistance for Farmers (TAAF) program and authorizes funding through December 31, 2010 (Sections 1881-1887). TAAF's objective is to assist agricultural producers who have experienced a decline in prices of a commodity that they produce caused in large part by increased imports. Support has been available in the form of cash payments and technical assistance. Eligible producers of raw and natural agricultural commodities (crops, livestock, farm-raised aquatic products, and seafood that competes with aquaculture products), including fishermen, must follow a two-part process to qualify for TAAF benefits. The enacted changes make it easier for producers to qualify for assistance. But instead of automatically receiving cash payments under a formula, a producer now only becomes eligible for financial assistance upon completing training intended to help him become more competitive in producing the same or another commodity. Such assistance is to be used to implement a business adjustment plan.[25]

Competitive Research Grants

The enacted ARRA does not contain any money for competitive research grants at USDA, unlike the Senate-passed bill, which included $50 million of such funding. The Senate bill would have supplemented competitive research grants to universities under the Agricultural and Food Research Initiative (AFRI). The supplemental grants would have been limited to research on "renewable fuels and emerging agricultural production technologies," both areas that the Senate committee believed would have stimulated future economic activity. The House bill did not include any such funding.

Ban on Inspection of "Downer" Cattle

A provision in the Senate stimulus measure, deleted by House-Senate conferees, raised an issue of longstanding priority for many animal activists—what they view as mistreatment of animals at livestock markets and slaughterhouses. In particular, these activists have sought legislation for years to ban "downers" or nonambulatory animals from being used for food and/or to require that they be humanely euthanized, as an incentive for better treatment. Some food safety advocates also have supported such measures as a means of keeping diseased animals out of the food supply. Most animal producers have opposed these bills as misguided; they argue, among other things, that their industry has largely eliminated this problem.

Section 104 of the Senate bill would have permanently prohibited the use of federal funds to pass any nonambulatory disabled cattle for use as human food through USDA inspection, regardless of the reason or time the animal became nonambulatory. (The provision did not have a budgetary score.) Because cattle must pass USDA inspection before they can be processed into human food, such a provision would have removed an economic incentive to slaughter downers.

This provision, which was not in the House-passed version of the stimulus package, generally would have written into statute what USDA has promulgated through regulatory action. Specifically, USDA's meat inspection regulations define nonambulatory disabled livestock as those "that cannot rise from a recumbent position or that cannot walk, including, but not limited to, those with broken appendages, severed tendons or ligaments, nerve paralysis, fractured vertebral column, or metabolic condition." These regulations were adopted several years ago primarily to ensure that any cow affected with bovine spongiform encephalopathy (BSE, or "mad cow disease") does not enter the food supply. However, the Senate language would have exempted from the ban cattle under 500 pounds or less than five months old—essentially, veal calves.[26]

[25] For more information, see CRS Report R40206, *Trade Adjustment Assistance for Farmers*, by Remy Jurenas.

[26] These regulations are described in more detail in CRS Report RS22819, *Nonambulatory Livestock and the Humane Methods of Slaughter Act*, by Geoffrey S. Becker.

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