

BACKGROUND

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Congress Could Cut Five USDA Programs and Save \$2.8 Billion a Year

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Abstract

The full House of Representatives is expected to take up the agriculture appropriations bill soon. There is ample room to make major cuts. With nearly \$17 trillion in federal debt and chronic deficits on the budget horizon, the House should pursue prudent spending reductions in areas that are duplicative or inappropriate for federal involvement. Cutting just five programs would result in about \$2.8 billion in savings. From inefficient food aid programs to costly market-promotion programs, lawmakers should seize this opportunity to reduce spending and make a small down payment toward reducing chronic deficits.

On June 13, 2013, the House Appropriations Committee approved its \$19.5 billion Agriculture, Rural Development, Food and Drug Administration, and Related Agencies appropriations bill for fiscal year (FY) 2014.¹ The full House is expected to take up the bill soon. With nearly \$17 trillion in federal debt and chronic deficits on the budget horizon, the House should pursue spending reductions that keep discretionary spending under the sequestration cap. Rather than rely on indiscriminate across-the-board cuts as in fiscal year (FY) 2013, lawmakers should prioritize true federal responsibilities and reduce spending in programs that are duplicative or better left to the private sector or state and local governments.

Agriculture-related spending was approximately \$139 billion for FY 2013. The \$19.5 billion in the House FY 2014 appropriations bill funds discretionary spending, amounting to about 14 percent of all agriculture spending, when compared to FY 2013

KEY POINTS

- On June 13, 2013, the House Appropriations Committee approved its \$19.5 billion agriculture appropriations bill. The full House is expected to take up the bill soon.
- Cutting just five discretionary programs would result in about \$2.8 billion in savings. An additional \$800 million could also be saved by cutting more programs.
- Costly and inefficient food aid programs should be cut, and responsibilities for the programs transferred to USAID. Cuts should be aimed at duplicative USDA research programs, taxpayer-subsidized advice on how property owners can best use their land, and a renewable energy program for rural communities.
- Lawmakers should seize this opportunity to reduce spending by billions of dollars, prioritize true federal responsibilities, and reduce spending in programs that are duplicative or better left to the private sector or state and local governments.

This paper, in its entirety, can be found at <http://report.heritage.org/bg2822>

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agriculture-related spending. The remainder of the spending is mandatory spending on programs such as direct payments, crop subsidies, and insurance subsidies.² Even though discretionary spending is not as large as mandatory spending, a total of \$3.6 billion in savings can be found (see Appendix).³ Cutting five programs alone would result in about \$2.8 billion in savings.

1. International Food Aid

Food for Peace Title II grants comprise the largest part of the federal food aid budget. The legal requirements binding the program make it inefficient and unnecessarily costly.⁴ Food must be purchased in the U.S. and then shipped thousands of miles by sea in U.S.-flagged vessels, which adds unnecessary logistical challenges in addition to higher costs.⁵ Recognizing these inefficiencies in his FY 2014 budget request, President Barack Obama requested to move the Food for Peace program from the U.S. Department of Agriculture (USDA) to the U.S. Agency for International Development (USAID), and subsequently did not include funding for Food for Peace Title II grants for USDA.

Congress should cut all USDA funding for this program and move Food for Peace Title II grants and responsibilities from the USDA to USAID. USAID can manage the program with existing development funding, and without the legal requirements that burden the program today.

Savings: \$1.15 billion

Similarly, Congress should cut all USDA funding for the McGovern–Dole International Food for Education and Child Nutrition Program and shift responsibility for the program to USAID. This would avoid unnecessary duplication and overlap among nonemergency food aid agency objectives and activities.⁶

Savings: \$180 million

2. Agricultural Research

The Department of Agriculture houses two large research agencies—the Agricultural Research Service and the National Institute for Food and Agriculture, which focus on many similar research topics. According to the Government Accountability Office (GAO), the agencies are not doing enough to prevent unnecessary overlap and duplication.⁷ The large funding availability also leads to government-funded projects duplicating or crowding out private research, and funding decisions favoring projects that fail to meet the public interest test. For example, the USDA granted \$7 million to study a plant-based source of rubber for the manufacture of tires, while Bridgestone Corporation pursued similar research with its own, private, funding. Another USDA grant went to study the economic success of the Idaho gun industry, a state where over half of households own guns and part of the funding went to help pay for a gun show.⁸

Congress should reduce this spending to better incentivize the prioritization of public interest

1. News release, "Appropriations Committee Approves the Fiscal Year 2014 Agriculture Appropriations Bill," U.S. House of Representatives Committee on Appropriations, June 13, 2013, <http://appropriations.house.gov/news/documentsingle.aspx?DocumentID=338894> (accessed June 17, 2013).
2. Jim Monke, "Budget Issues Shaping a Farm Bill in 2013," Congressional Research Service *Report for Congress* No. R42484, June 3, 2013, <http://www.fas.org/sgp/crs/misc/R42484.pdf> (accessed June 17, 2013).
3. See also, Daren Bakst and Romina Boccia, "How to Slash Billions from the Agriculture Appropriations Bill," Heritage Foundation *Issue Brief* No. 3977, June 25, 2013, <http://www.heritage.org/research/reports/2013/06/how-to-slash-billions-from-the-agriculture-appropriations-bill>.
4. Bryan Riley and Brett D. Schaefer, "U.S. Food Aid Should Focus on Combating Hunger and Malnutrition in Poor Nations," Heritage Foundation *Issue Brief* No. 3910, April 15, 2013, <http://www.heritage.org/research/reports/2013/04/us-food-aid-should-focus-on-combating-hunger-and-malnutrition-in-poor-nations>.
5. Government Accountability Office, "International Food Assistance: Funding Development Projects through the Purchase, Shipment, and Sale of U.S. Commodities Is Inefficient and Can Cause Adverse Market Impacts," June 2011, <http://www.gao.gov/new.items/d11636.pdf> (accessed June 17, 2013).
6. Government Accountability Office, "International Food Assistance: U.S. Nonemergency Food Aid Programs Have Similar Objectives but Some Planning Helps Limit Overlap," December 12, 2012, <http://www.gao.gov/products/GAO-13-141R> (accessed June 17, 2013).
7. Government Accountability Office, "Agricultural Research: Two USDA Agencies Can Enhance Safeguards Against Project Duplication and Strengthen Collaborative Planning," April 2013, <http://www.gao.gov/assets/660/653752.pdf> (accessed June 17, 2013).
8. "Wastebook 2012," Senator Tom Coburn, October 2012, http://www.coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=b7b23f66-d60-4d5a-8bc5-8522c7e1a40e (accessed June 17, 2013).

basic research and require the USDA to present a plan to merge the Agricultural Research Service and the National Institute for Food and Agriculture into a single entity.

Savings: \$615 million

3. Conservation Technical Assistance

The Natural Resources Conservation Service runs a costly technical-assistance program for landowners. Assistance can include help maintaining private land, enhancing recreational opportunities for landowners, and improving the aesthetic character of private land.⁹

Private landowners, not the government, are the best stewards of their land and can seek out private solutions if technical assistance is necessary. They do not need taxpayer-subsidized advice on how best to use their land. They especially do not need subsidized advice on how to make their land look prettier. It should be their responsibility alone to pay for such assistance through private sources.

Congress should eliminate all funding for the Conservation Technical Assistance Program.

Savings: \$714 million

4. Rural Business-Cooperative Service

The Rural Business-Cooperative Service (RBS) provides grants for rural business endeavors and favored activities. Funding for three programs should be eliminated and the programs terminated:

Rural Business Program Account. The RBS account deals with business and industry guaranteed loans and rural business enterprise grants. Private capital will find its way to worthy rural investments. The federal government should not play venture capitalist with taxpayer money, including trying to serve allegedly “underserved” areas. Private actors will serve the area if it makes sound business sense. Further, a 2012 GAO study found

significant duplication among 53 different federal economic development programs.¹⁰

Congress should eliminate all funding for the Rural Business Program Account.

Savings: \$72 million

Rural Cooperative Development Grants.

These grants help to start and expand rural cooperatives and other business entities.¹¹ As with the guaranteed loans and rural enterprise grants, the federal government should not be a venture capitalist. These types of programs can also drive out private investors.

Congress should eliminate all funding for Rural Cooperative Development Grants.

Savings: \$17 million

Rural Energy for America Program.

Taxpayers subsidize the development of renewable energy programs for agricultural producers and small rural businesses.¹² The federal government is inappropriately picking winners and losers in the energy sector. Even worse, for rural areas, it is picking an energy loser as its winner.

Congress should eliminate all funding for the Rural Energy for America Program.

Savings: \$3 million

5. Distance Learning, Telemedicine, and Broadband Program

The Distance Learning, Telemedicine, and Broadband Program subsidizes “advanced telecommunications technologies [that] provide enhanced learning and health care opportunities for rural residents.”¹³ Once again, government is intruding into areas that are best served by private actors.

There is already plenty of money for the USDA to expand broadband services. In 2009, as part of the stimulus plan, the USDA received an incredible

9. U.S. Department of Agriculture, “Natural Resources Conservation Service,” <http://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/technical/> (accessed June 17, 2013).

10. Government Accountability Office, “Economic Development: Efficiency and Effectiveness of Fragmented Programs Are Unclear,” March 2013, <http://www.gao.gov/products/GAO-12-553T> (accessed June 17, 2013).

11. U.S. Department of Agriculture, “Rural Cooperative Development Grants,” May 2013, http://www.rurdev.usda.gov/bcp_rcdg.html (accessed June 17, 2013).

12. U.S. Department of Agriculture, “Rural Energy for America Program—Renewable Energy System and Energy Efficiency Improvement Guaranteed Loan and Grant Program,” January 2013, http://www.rurdev.usda.gov/bcp_reapreseei.html (accessed June 17, 2013).

13. U.S. Department of Agriculture, “About the DLT Program,” June 2013, http://www.rurdev.usda.gov/UTP_DLT.html (accessed June 17, 2013).

\$2.5 billion for building broadband infrastructure. This money, though, does not appear to have been spent wisely.

In March, 2013, House Energy and Commerce Committee leaders expressed concern to both the USDA and the GAO regarding possible misuse of this money due to overbuilding in some areas. As the committee members wrote to GAO, “[O]verbuilding diverts scarce budget resources from areas without broadband service to areas with service and can impede vital private-sector investment.”¹⁴ They requested that the GAO analyze the USDA’s use of the broadband funds. Handing over more money to the USDA for broadband services, even if deemed a worthy goal, would be duplicative and wasteful.

Congress should eliminate all funding for the Distance Learning, Telemedicine, and Broadband Program.

Savings: \$40 million

Moving Forward

As lawmakers allocate budget authority among the 12 annual spending bills, they should proceed by making prudent spending reductions in areas that are duplicative or inappropriate for federal involvement, such as programs better left to the private sector or state and local governments. There is ample room to make major cuts in the agriculture appropriations bill. Lawmakers should seize this opportunity to reduce spending by up to \$3.6 billion, demonstrating that they can prioritize federal spending to stay under the sequestration cap and put a small down payment toward reducing chronic deficits.

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14. U.S. House of Representatives, Committee on Energy & Commerce, “Letters to USDA and GAO Regarding Broadband Stimulus Oversight,” March 2013, <http://energycommerce.house.gov/letter/letters-usda-and-gao-regarding-broadband-stimulus-oversight> (accessed June 17, 2013).

Appendix

Recommended Cuts in the Agriculture Appropriations Bill

PROGRAM	AMOUNT CUT	% CUT
National Institute of Food and Agriculture (NIFE)		
Hatch Act	\$47,266,800	20%
Agriculture and Food Research Initiative	290,657,000	100%
Veterinary Medicine Loan Repayment	4,790,000	100%
Global Change/UV Monitoring	1,405,000	100%
Multicultural Scholars, Graduate Fellowships, and Institution Grants	9,000,000	100%
Secondary and Two-Year Post-Secondary Education	900,000	100%
McIntire-Stennis Cooperative Forestry Act	6,586,800	20%
Total	360,605,600	
Agricultural Research Service		
Human Nutrition Research	96,000,000	100%
Flexible Cuts (16% of ARS spending)	171,866,080	—
Total	267,866,080	
Foreign Assistance and Related Programs		
Food for Peace Title II Grants	1,149,680,000	100%
McGovern-Dole International Food for Education	180,320,000	100%
Commodity Credit Corporation Export Loans Program	6,635,000	100%
Total	1,336,635,000	
Rural Business-Cooperative Service		
Rural Business Program Account	71,777,000	100%
Rural Cooperative Development Grants	17,250,000	100%
Rural Energy for America Program	3,000,000	100%
Total	92,027,000	
Rural Utilities Service		
Distance Learning, Telemedicine, and Broadband	39,934,000	100%
Agricultural Marketing Service		
Marketing Services (\$77,035,000), Excluding Inspection and Standardization (\$8,000,000)	69,035,000	90%
Farm Service Agency		
Agricultural Credit Insurance Fund*	390,235,000	100%
Food and Nutrition Service		
SNAP Nutrition Education	350,000,000	100%
Natural Resources Conservation Service		
Conservation Technical Assistance	713,895,000	100%
TOTAL SAVINGS	\$3,620,232,680	

RELATED ITEMS

Food and Drug Administration

Deny funding for enforcement of Obamacare's Nutrition Labeling and Standard Menu Items at Chain Restaurants rule

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* Estimated loan subsidy and administrative expenses levels.

Source: Savings estimates are based on appropriations in the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill, Fiscal Year 2014, as approved by the House Appropriations Committee on June 13, 2013, <http://appropriations.house.gov/uploadedfiles/hrpt-113-hr-2014-agriculture.pdf> (accessed June 25, 2013), and the Office of Management and Budget, *The Appendix, Budget of the United States Government, Fiscal Year 2014*, <http://www.whitehouse.gov/omb/budget/appendix> (accessed June 25, 2013). All figures come from the appropriations bill except for Human Nutrition Research and Inspection and Standardization, which come from the budget.