



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

THE DIRECTOR

July 7, 2015

The Honorable Hal Rogers
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

On June 18, 2015, the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Subcommittee considered the fiscal year (FY) 2016 Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations bill. The Administration supports investments in nutrition, agricultural research, food safety and animal and plant health, rural development, renewable energy programs, and oversight of derivatives trading. However, we have a number of serious concerns about this legislation, which would underfund these important investments and includes highly problematic ideological riders. In advance of Full Committee consideration of the Subcommittee bill, I would like to take this opportunity to share some of these concerns with you.

The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations bill is the eleventh appropriations bill being considered under the congressional Republicans' 2016 budget framework, which would lock in sequestration funding levels for FY 2016. Sequestration was never intended to take effect: rather, it was supposed to threaten such drastic cuts to both defense and non-defense funding that policymakers would be motivated to come to the table and reduce the deficit through smart, balanced reforms. The Republicans' 2016 budget framework would bring base discretionary funding for both non-defense and defense to the lowest levels in a decade, adjusted for inflation. Compared to the President's Budget, the cuts would result in tens of thousands of the Nation's most vulnerable children losing access to Head Start, millions fewer workers receiving job training and employment services, and drastic cuts to scientific research awards and grants, along with other impacts that would hurt the economy, the middle class, and Americans working hard to reach the middle class.

Sequestration funding levels would also put our national security at unnecessary risk, not only through pressures on defense spending, but also through pressures on State, USAID, Homeland Security, and other non-defense programs that help keep us safe. More broadly, the strength of our economy and the security of our Nation are linked. That is why the President has been clear that he is not willing to lock in sequestration going forward, nor will he accept fixes to defense without also fixing non-defense. The President's Budget would reverse sequestration and replace the savings with commonsense spending and tax reforms. It brings middle-class economics into the 21st Century and makes the critical investments needed to support our national security and accelerate and sustain economic growth in the long run, including research, education, training, and infrastructure.

The inadequate overall funding levels in the Republicans' 2016 budget framework cause a number of problems with the Subcommittee bill specifically. Overall, according to the Subcommittee, this bill reduces funding by about \$1.1 billion, or more than 5 percent, below the President's Budget. The bill prevents the effective safeguarding of derivatives markets, shortchanges food safety needs, underfunds efforts address the challenge of child poverty, and slashes competitive research grants, diminishing our ability to field world-class and cutting edge research and respond to emerging animal health issues. For example:

- Compared to the President's Budget, the bill cuts funding for the Commodity Futures Trading Commission (CFTC) by \$72 million, or 22 percent, hindering its ability to ensure the safe and orderly operation of our markets. In addition, the bill plays a shell game with CFTC's funding, cutting the Commission's budget by an additional \$5 million under the guise of a complicated rent abatement credit. The Subcommittee bill funding level would hamstring surveillance and enforcement capabilities, hinder examination of critical market infrastructure, and undermine oversight of derivatives trading. It would also obstruct the CFTC's efforts to add more rigor to economic analysis in rulemaking and modernize its technology capabilities to address risks of cyberattack.
- The Subcommittee bill also rejects the President's commonsense proposal to provide the CFTC with appropriate and stable funding through user fees. The CFTC is one of only two Federal financial regulators funded through annual discretionary appropriations. The President's Budget proposed authorization of user fees to shift CFTC costs from the general taxpayer to the primary beneficiaries of CFTC's oversight in a manner that maintains the efficiency, competitiveness, and financial integrity of the markets it regulates. CFTC user fees are a common-sense solution first proposed by the Reagan Administration more than 30 years ago and have been supported by every Democratic and Republican administration since that time.
- The Administration strongly objects to using the appropriations process for objectionable language provisions that are wholly unnecessary to the operation of the nutrition programs and would impede efficient administration of the programs. For example, on whole grains, USDA has provided States and school districts with the flexibility they need now and would consider continuing that flexibility, if needed. However, the Administration opposes inclusion of this provision in the bill, as it signals that the waivers are not dependent on the availability of reasonably priced whole grain options. The Administration is also concerned with objectionable language that interferes with evidentiary standards, limiting the ability of USDA and the Department of Health and Human Services to develop dietary recommendations based on the preponderance of the strongest available scientific evidence, as is current practice. The language would also delay the availability of updated guidelines. The Administration also is very disappointed that the Committee did not provide the requested funding of \$66.9 million to support summer Electronic Benefit Transfer pilots and reduced funding for these pilots below the FY 2015 enacted level. These pilots are proving successful in reducing childhood food insecurity when school meals are unavailable.
- The bill cuts funding for the Food and Drug Administration (FDA) by \$316 million in total resources, or 6 percent, below the President's Budget. The bill does not include the

requested budget authority or new proposed user fees to enhance FDA capacity during a critical implementation period for the bipartisan Food Safety Modernization Act. The overall reductions would limit FDA's ability to oversee the safety and quality of the Nation's food and medical products, and would threaten the agency's ability keep pace with scientific advancements and help speed the development of promising new therapeutics.

- The Subcommittee bill fails to fund the President's proposal for \$20 million for a demonstration project that would cut across agency silos or an additional \$37 million to increase investments in the Community Facilities program, both of which are designed to ensure that Federal programs make the most positive impact in helping poor families climb the economic ladder. This effort is a critical component of the Administration's efforts to tackle the economic and moral challenge posed by persistent poverty faced by children in rural areas. The 2014 *Economic Report of the President* and the recently released White House Report: *Opportunity for All: Fighting Rural Child Poverty*, documented that Federal programs designed to reduce poverty and promote opportunity have cut poverty rates by more than one-third over the past 50 years. Still, more than 85 percent of persistent poverty counties are rural, and more must be done to improve access to key programs and services in rural communities.
- The bill cuts approximately \$500 million from the President's request for research activities needed to meet the challenges of the 21st Century. Specifically, the bill fails to support the President's requested increases in critical intramural research areas such as climate change, antimicrobial resistance, pollinator health, and agricultural sustainability. Further, it slashes the Administration's request for competitive research grants by approximately \$100 million, or 25 percent, and fails to fund the \$80 million requested for public-private partnerships in advanced manufacturing institutes to promote the growth of new jobs and industries in the agricultural and forestry sectors. Lastly, the bill does not include the \$114 million requested to complete construction and modernization of the poultry research and biosecurity laboratory in Athens, Georgia, which would support research into highly pathogenic avian influenza.
- The Subcommittee bill blocks roughly \$22 million in mandatory funding for the Biorefinery Assistance Program and the Rural Energy for America Program (REAP) and reduces discretionary funding for REAP loans by roughly 84 percent from the FY 2016 Budget request, restricting USDA from supporting critical renewable energy projects.
- The Subcommittee bill places significant limitations on the ability of USDA to take actions needed to effectively manage programs. Since FY 2010, USDA's budget has been reduced by 10 percent, while the Department has been charged with additional responsibilities and delivering more complex programs. USDA has been a leader in reducing spending, streamlining operations, and cutting costs in order to become a stronger and more effective department. Unfortunately, the bill would stymie the Department's efforts to continue to implement innovative and commonsense practices that would result in long-term savings. This includes savings that could be achieved by reducing the amount of space leased by the Department.

The Subcommittee bill also contains objectionable language that would erode FDA's ability to regulate certain tobacco products and protect public health. Specifically, the bill amends current law to exempt from FDA review certain tobacco products "newly-deemed" as tobacco products under its health authorities. As a result, these products, including currently marketed flavored e-cigarettes, e-cigarettes with defective batteries, and novel tobacco products like dissolvables, would be allowed to stay on the market indefinitely without oversight or a full evaluation of their risks, threatening public health.

In addition, the Administration strongly objects to language in the bill that would delay, for a year, implementation of USDA's conservation compliance provisions, and create a loophole to permit farmers to evade payment limits.

The Administration believes that the Congress should consider appropriations bills free of ideological provisions. The inclusion of these provisions threatens to undermine an orderly appropriations process.

As your Committee takes up the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Subcommittee bill, we look forward to working with you to address these concerns. More broadly, we look forward to working with the Congress to reverse sequestration for defense and non-defense priorities, and offset the cost with commonsense spending and tax expenditure cuts, as Members of Congress from both parties have urged.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Shaun Donovan', with a long horizontal flourish extending to the right.

Shaun Donovan
Director

Identical Letter Sent to The Honorable Nita Lowey