

Good afternoon,

Here's an update on the Senate budget resolution.

### **Senate Budget Committee proposes \$15 billion Farm Bill 'Reserve Fund'**

The Senate Budget Committee started consideration of the budget resolution this afternoon and will continue discussion through Thursday. As we noted in this week's issue, Chairman Kent Conrad (D-ND) said his budget plan for Fiscal Year 2008 would boost funding in three primary areas: children's health insurance, education and veterans program. Conrad said the package would balance the budget by 2012 without tax increases.

The North Dakota Senator, who is also a member of the Agriculture Committee, said he is a supporter of agriculture funding and wants to provide more money to invest in conservation, renewable energy development and other program areas. **But he also said the budget has to balance and that he would not provide the \$20 billion in additional funding requested** by Senate Agriculture Committee Chairman Tom Harkin (D-IA) and Ranking Minority Member Saxby Chambliss (R-GA). The new farm bill will be written with lower baselines, because with higher commodity prices, the government has spent less than expected on the 2002 farm bill.

Sen. Conrad said he would **create a \$15 billion "reserve fund" to provide additional funding for the Farm Bill**. However, that money **"has to be offset, has to be paid for in some other way,"** Conrad explained in a taped interview that's posted on his web site. Several different Agriculture Committee staff members that we contacted say they are uncertain as to exactly how the reserve fund would work. In general, a reserve fund is an amount of money beyond the baseline that is made available in the budget resolution--but it is not automatically made available to a committee. However, the reserve can be used by the committee if certain conditions are met. The definition of those conditions is currently unclear.

Here's the Farm Bill language from the Senate budget resolution:

With the 2002 Farm Bill expiring this year, the Chairman's Mark provides a deficit-neutral reserve fund for the reauthorization of agricultural programs. To address the needs of rural America and promote new sources of renewable energy from U.S. farm products, it would allow for a \$15 billion increase in mandatory agriculture funding between 2008 and 2012. The reauthorization of the Farm Bill will provide an economic safety net for agricultural producers, enhance the stewardship of our natural resources, address domestic nutrition needs, increase agricultural research, and improve our export competitiveness.

Minority members on the Budget Committee did not see the proposal until this afternoon's committee meeting and several reserved judgment on the specifics. However,

ranking Minority Member Judd Gregg (R-NH) described some of the new revenue provisions as "Wizard of Oz" tax policy. "It's like someone from behind the curtain is going to come up with the money."

According to Sen. Conrad, here are the key provisions of his budget plan.

- Fix for two years the Alternative Minimum Tax, a tax which was initially created to catch the wealthy who were avoiding paying any taxes, but which in recent years has entangled more and more middle-class families.
- Balance the budget by 2012, going from a deficit of \$249 billion to a surplus of \$132 billion.
- Reduce gross debt as a share of the economy.
- Collect only 3 percent more revenues than the President's budget over 5 years, without increasing taxes, by closing the tax gap, cracking down on off-shore tax shelters, and simplifying the tax code.
- Create a \$15 billion reserve fund in additional funding for the Farm Bill expected to be reauthorized by Congress later this year.
- Increase the federal investment in the Children's Health Insurance Program by as much as \$50 billion over five years, to provide health insurance to millions of children not currently covered.
- Increase funding for the Department of Education by \$6 billion more than the President's budget.
- Boost veterans' funding by \$3.5 billion more than the President's plan. The Senate plan would exceed the medical care spending request of the "Independent Budget" requested by America's veterans' groups.
- Restore all funding cut by the Administration from the COPS law-enforcement program.
- Fully fund the President's requested defense funding for the wars in Iraq and Afghanistan.

We'll keep you posted as more details become available. You can also check our web site for details: [www.Agri-Pulse.com](http://www.Agri-Pulse.com)

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