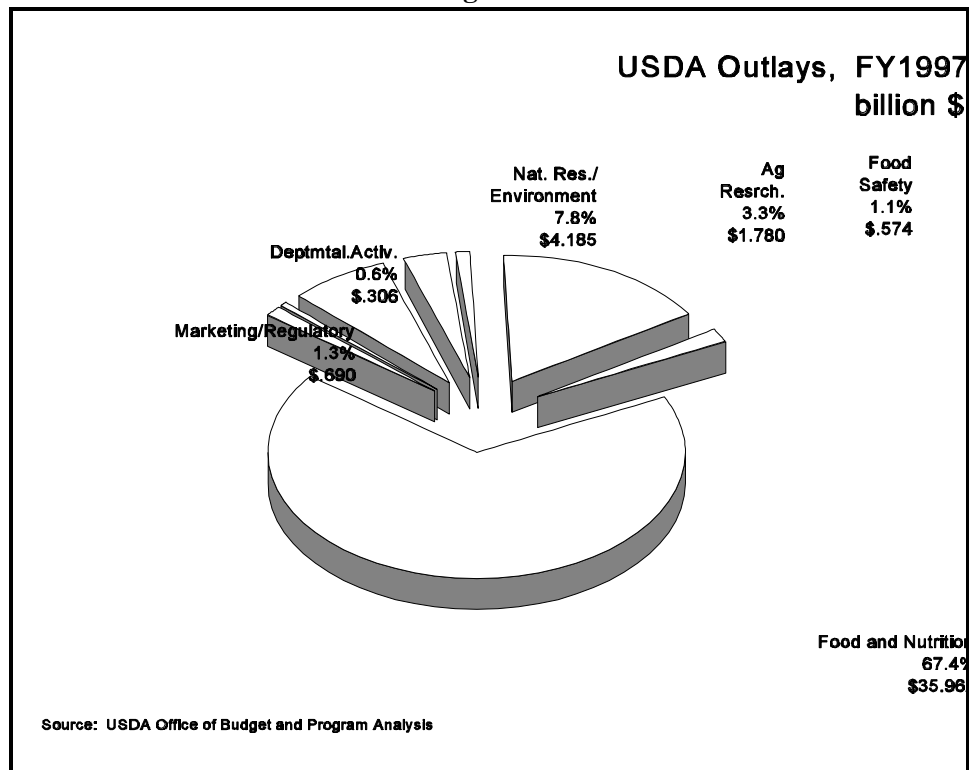


Figure 1



Mandatory vs. Discretionary Spending

Approximately three-fourths of total USDA spending is classified as mandatory, which by definition occurs outside the control of annual appropriations. Eligibility for mandatory programs is written into authorizing law, and any individual or entity that meets the eligibility requirements is entitled to the benefits authorized by the law. Currently accounting for the vast majority of USDA mandatory spending are the food stamp program and child nutrition programs; the farm commodity price and income support programs; the federal crop insurance program; and the conservation reserve program (CRP).

Although they have mandatory status, the food and nutrition programs are funded by an annual appropriation based on projected spending needs. Supplemental appropriations generally are made if and when these estimates fall short of required spending. An annual appropriation is also made to reimburse the Commodity Credit Corporation for losses it incurs in financing the commodity support programs. Historically, the farm commodity price and income support programs were a significant portion of the USDA budget. Spending levels among these programs were erratic and unpredictable, making total USDA spending highly variable. However, this is expected to change in future years as a result of the enactment of the 1996 farm bill, which caps spending on direct payments to program crop producers.

The other 25% of the USDA budget is for discretionary programs, which are dependent upon funding in annual appropriations acts. Among the major discretionary programs within USDA that are funded by the annual agriculture appropriations act are its rural development programs, research and education programs, agricultural credit, the supplemental nutrition program for women, infants, and children (WIC), the Public Law (P.L.) 480 international food aid program, meat and poultry inspection, and food marketing and regulatory programs.