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A Budget Update on Energy and Agriculture Funding: Analyzing the President's Budget FY 2014, the Continuing Resolution, and the Impact of the Sequester

FY 2014 President's Budget¹

On April 10, President Barack Obama released his [budget](#) plan for FY 2014. The \$3.77 trillion budget proposal includes \$1.8 trillion in deficit reduction over the next 10 years and aims to reduce the deficit overall by 1.7 percent of GDP by 2023. Additionally, the proposal lifts the sequestration across-the-board spending reductions.

USDA

With respect to agricultural programs, the budget proposal would fund the U.S. Department of Agriculture (USDA) at \$22.6 billion, nearly equal to the FY 2012 enacted level. The budget proposal saves \$37.8 billion over the next 10 years through reducing the crop insurance subsidies program and ending direct payments to farmers while also providing \$1.3 billion in additional funding for research on renewable energy, specialty crops and beginning farmers. The budget also proposes extending livestock disaster assistance programs through 2018.

Specifically the [USDA budget proposal](#) requests:

- \$9.5 billion for the Federal Crop Insurance Program
- \$9.4 billion for Natural Resources and the Environment including:
 - \$757 million for restoration work across the National Forest System
 - Continued funding for fire suppression activities at the 10-year average cost
 - \$74 million for upgraded fire-fighting air tankers
- \$9 billion for the Commodity Credit Corporation, an increase of \$250 million from FY 2012
- \$2.1 billion for conservation programs, an increase of \$240 million from FY 2012
- \$5.5 billion for loans to farmers and ranchers for operating costs of farm property
- \$4 billion in guaranteed loans for clean and renewable energy generation on rural land
- \$2.2 billion for rural development, a \$200 million decrease from FY 2012
- \$238 million for the Rural Energy for America Program

DOE

The president's budget proposal funds the Department of Energy (DOE) at \$28.4 billion, an 8 percent increase above the FY 2012 enacted level. This includes a 40 percent increase in funding for clean energy technology and energy efficiency activities, \$2 billion to establish an Energy Security Trust, a proposal to

¹ All funding levels in the president's FY 2014 budget request are compared to FY 2012 enacted funding levels, due to the uncertainty of the federal funding for FY 2013 prior to the signing of the Continuing Resolution into law on March 26, 2013..

permanently extend the tax credit for renewable energy production and the elimination of \$4 billion in subsidies to oil, gas and coal industries.

Specifically, [DOE's budget proposal](#) requests:

- \$200 million in onetime funding for the new Race-to-the-Top award program that would reward states that work to reduce their energy waste and modernize the grid. Some key opportunities for applicants would include modernizing utility regulations, adopting policies that encourage cost-effective investment in renewable energy, enhancing customer access to data and investments to improve reliability.
- An estimated \$5.6 billion in funding over 10 years that would focus on disposition of nuclear fuel, including ongoing appropriations starting at \$200 million for FY 2014 and mandatory appropriations from fee collections to the Nuclear Waste Fund.
- \$2.7 billion in funding for the Office of Energy Efficiency and Renewable Energy (55 percent increase from FY 2012 levels) including \$615 million to increase the use of clean power from solar, wind, geothermal and water energy.
- \$735 million for the Office of Nuclear Energy (a reduction of 13.9 percent from FY 2012) including:
 - \$70 million for the Small Modular Reactor Support Program (an increase of \$3 million from FY 2012)
 - \$275 million for the Idaho Facilities Management program (including funding for low level waste disposal project)
- \$184 million for the Weatherization Assistance Program (WAP), an increase of \$116 million from FY 2012 levels. WAP assists low-income families with energy efficient upgrades to their homes. The State Energy Program, which manages the network of grants and supports state and local governments with design and implementation of sustainable energy programs, would receive \$57 million, an increase of \$7 million from FY 2012.

Other proposals of note within the president's budget include:

- The [Department of Interior](#) would receive \$11.7 billion, a 4 percent increase from FY 2012 and dedication of \$900 million by 2015 in long-term funding for Land and Water Conservation Fund programs.
- \$8.2 billion in funding for the [Environmental Protection Agency](#), a reduction of \$296 million (3.5 percent) from FY 2012.
- A "strategic overview" of the Tennessee Valley Authority (TVA) to reduce or eliminate the federal government's role in TVA.
- A denial of funding for inspection of horse slaughtering facilities for human consumption, effectively banning the practice due to the fact that slaughter facilities are not allowed to operate without inspections.
- \$3 billion to Low Income Home Energy Assistance Program (LIHEAP), a reduction of \$452 million. LIHEAP provides federally funded assistance to low-income families to manage the costs of home energy bills, energy crises, and weatherization and energy-related home repairs.

Congress Approves 2013 Continuing Resolution

On March 21, 2013, Congress passed [H.R. 933](#), which funds the federal government through FY 2013 (Sept. 30, 2013). The measure provides full-year appropriations for five of 12 appropriations bills

including Defense-Military Construction-Veterans Affairs, Agriculture, Homeland Security and Commerce-Justice-Science and finances the rest of the government through a continuing resolution (CR) based on FY 2012 funding levels minus the across-the-board sequester reductions. The total bill provides \$984 billion in funding, which is a decline of nearly \$60 billion from FY 2012 levels when total discretionary spending was \$1.043 trillion.

USDA Receives an Updated Budget and Additional Funding for Meat Inspections

The Agriculture appropriations bill provides full-year funding for United States Department of Agriculture (USDA) programs. The commodity assistance program is funded at \$248 million, although the sequester reduces this to \$244 million, which is still \$2 million above the FY 2012 level. The bill also provides \$65.5 million for the Emergency Watershed Protection (EWP) program to address watersheds damaged by wildfires and drought. In addition to funding USDA programs, the CR also includes a provision, adopted as an amendment, to prevent the furloughing of meat inspectors. The provision transfers \$55 million from funding for school equipment grants to the Food Safety and Inspection Services (FSIS) in order to fund meat inspectors. Without this funding, USDA had [previously announced](#) that all meat inspectors would have been furloughed for one day a week, totaling 11 days, in order to make up for the automatic budget reductions from sequestration.

Energy Department Impacted by Sequester Budget Reductions

H.R. 933 continued funding for the Department of Energy (DOE) at FY 2012 levels minus the across-the-board sequestration reductions. Of these reductions, \$11 million came from the Office of Energy Efficiency and Renewable Energy which reflects a \$3 million reduction from the Weatherization Assistance Program and a \$3 million reduction from the State Energy Program. Additionally, both the Office of Nuclear Energy and the Advanced Research Projects Agency–Energy (ARPA-E) incurred a \$10 million reduction while the Office of Science had its budget reduced by \$13 million. Energy related programs were also reduced in the budgets of the Department of Defense, Department of Interior and the Environmental Protection Agency.

House and Senate Pass FY 2014 Budget Plans

On March 21, the U.S. House of Representatives passed its nonbinding [FY 2014 Budget Resolution](#). With regard to the energy sector, the House plan reduces energy budget authority by \$1.2 billion, including the Department of Energy’s loan guarantee program, opens federal land including the Outer Continental Shelf to oil and gas drilling and requires construction of the Keystone XL pipeline. With regard to agriculture funding, the plan also aims to save \$31.1 billion over the next 10 years through changes to commodity programs and reduce conservation program funding by \$18 billion.

On March 23, the Senate passed its [FY 2014 Budget Resolution](#) after a marathon of non-binding amendment votes. This is the first time in four years that the Senate has passed a budget. The Senate

budget would increase environmental and clean energy spending as well as funding for the Department of Energy's energy efficiency programs. The Senate passed a bipartisan amendment, 62-37, approving the construction of the Keystone XL. The Senate also approved amendments to increase funding for the Advanced Research Projects Agency-Energy (ARPA-E) and to provide funding for low-income weatherization and energy efficiency programs.

The Senate plan also includes \$23 billion in reductions to agriculture spending through reforming agriculture programs while maintaining the insurance "safety net" programs for farmers and ranchers. These reductions are nearly identical to those offered in the 2012 Farm Bill that was approved by the Senate Agriculture Committee. FY 2014 begins on Oct. 1, 2013.

What's Next?

Now that the president has proposed his FY 2014 budget recommendations and both the House and Senate have approved their respective FY 2014 budget resolutions, the appropriations committees in both chambers will move to begin approving the 12 individual appropriations bills that make up a full budget before the beginning of FY 2014, on Oct. 1, 2013. Based on the experience of the past few years, approving all 12 bills is unlikely, especially given the differences between the two budget resolutions. Should Congress fail to pass all 12 appropriations measures, members would need to approve a continuing resolution to fund the federal government at current levels and avoid a shutdown.

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