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MEMORANDUM

From: Joseph A. Levitt
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Re: President Trump's Budget Proposes Reduced Funding for FDA & USDA

The Trump Administration recently released its Fiscal Year (FY) 2018 budget request. The FY 2018 budget request is notable because it proposes dramatic cuts to both the Food and Drug Administration (FDA) and the U.S. Department of Agriculture (USDA), among other agencies. Presidential budget proposals are at most a starting point – with Congress ultimately responsible for deciding what funds to appropriate – but often provide valuable insight into an administration's priorities.

The FY 2018 budget request earmarks a total of \$5.1 billion for FDA as a whole – an increase of \$456 million or 10 percent above the funding provided by Congress in the FY 2017 Continuing Resolution. This increase, however, would consist of reducing FDA's total budget authority by \$854 million, while proposing an increase in user fees of \$1.3 billion in non-food programs (which are unlikely to pass, as explained below).

The FY 2018 budget request proposes \$137 billion to USDA, a decrease of \$12 billion or 8 percent from an estimated \$149 billion in FY 2017, and outlines plans to lower spending on USDA programs by roughly \$230 billion over a decade. This memorandum discusses FDA and USDA's plans for reducing expenditures as they relate to food safety.

As described in more detail below, the proposed FY 2018 budget calls for a sizeable reduction (\$82.8 million) in FDA's food safety program and a modest increase (\$25 million) in the Food Safety and Inspection Services (FSIS) food safety program at USDA. Notably, no new user fees are proposed for either FDA or FSIS food safety budgets, although the USDA budget alludes to a desire for legislation authorizing user fees, as have past budgets.

FDA's Plans for Reduced Funding

As proposed for FY 2018, FDA would continue its most critical public health and safety activities, including outbreak response, implementation of FDA Food Safety and Modernization Act (FSMA) regulations, and ensuring that foods are safe and properly labeled, while reducing targeted activities in lower public health impact areas. The FDA's budget would provide \$1.3 billion for food safety, a decrease of six percent or \$82.8 million compared to the funding appropriated on an annualized basis by the FY 2017 Continuing Resolution. Specifically, the budget request proposes a \$21.9

million reduction to the Center for Food Safety and Applied Nutrition (CFSAN) and a \$49.1 million reduction to field staff in the Office of Regulatory Affairs (ORA).¹

FDA Workforce Reduction: To reduce expenditures, FDA proposes reducing staff across the food safety program through attrition. The 3,888 full-time equivalent (FTE) employees at CFSAN and in the field would be reduced to 3,686 FTEs, a net reduction of 202 FTE's.

Targeted Reduction to Lower Public Health Impact Areas:

- FDA proposes reducing funding for imported food safety through decreased international capacity building.
- FDA would decrease funding for its research program, which supports work related to food safety technology, outbreak response, and FSMA implementation.
- FDA plans to reduce funding to programs that support state and local health organizations.
- FDA plans to reduce investments in IT and lab equipment, which would require FDA's frontline staff to "reprioritize and refocus ORA's resources for analyzing samples for surveillance and compliance purposes and for detection of emerging threats or potential outbreaks from contamination or adulteration."
- In the event of a food related outbreak, ORA would be directed to "readjust" its funding and "reallocate resources from other less urgent operational activities in order to respond to emerging issues."

No New Proposed User Fees for Food Safety Programs: Following several years of proposed increases in food safety program user fees, the FY 2018 budget request notably has no new user fee proposals for food safety programs. This follows persistent and successful lobbying efforts by the food industry against such fees. ²

Increased Reliance User Fees for Other FDA Programs: The FY 2018 budget heavily relies on increases in other FDA user fees to fund the medical products programs.. The FY 2018 budget recalibrates these FDA medical product user fees (e.g., new drugs, generic drugs, animal drugs and medical devices) to over \$2.5 billion, a 100 percent increase over the current \$1.2 billion. Congress, however, is unlikely to adopt the proposed increase in user fees.³

USDA's Plans for Reduced Funding

The FY 2018 budget request would provide \$137 billion to the USDA, a decrease of 8 percent or \$12 billion from an estimated \$149 billion in FY 2017. The FY 2018 budget proposal calls for funding mandatory programs at \$116 billion, a decrease of 6 percent or \$7 billion from FY 2017. The budget would also reduce spending on discretionary programs to about \$21 billion, a decrease of approximately \$4.8 billion or 19 percent from FY 2017.

¹ The remaining \$3 million of the \$82.8 million reduction would come from the National Center for Toxicological Research (NCTR).

²The budget proposal does include placeholders for very limited fees under FSMA, such as the Voluntary Qualified Importer Program (VQIP), should the agency go forward with those programs.

³ Note there could be an indirect negative impact on FDA's food safety program from the user fees assessed to medical products. The drug and device user fee statutes require continuation of the original base funding from appropriations, so that the user fees would be truly additive. This is referred to as the "trigger" provision. If the final budget does not maintain that original medical products base funding, then FDA would be required to transfer food safety funding to protect its medical products user fee funding. Thus, the food industry should also keep a close eye on the FDA's final funding for its medical products programs..

Food Safety Inspection Service (FSIS): The FY 2018 budget proposes funding of approximately \$1 billion, about \$25 million above the 2017 funding level. The budget includes an increase of \$15.5 million to support approximately 8,500 field personnel. The budget requests \$12.1 million to fill frontline inspection program personnel vacancies. Notably, the budget does not include funding for the Siluriformes Inspection Program (catfish inspection) under FSIS; instead, it proposes returning this function to the FDA “to avoid potentially duplicative efforts and costs.” Additionally, the budget proposes a user fee beginning in 2019 to cover all domestic inspection, import re-inspection, and most of the central operations costs for Federal, State, and International inspection programs for meat, poultry, and eggs. An FSIS user fee has been proposed without success in past years, and thus far there is no indication that user fee legislation would be any more likely this year.

Animal and Plant Health Inspection Service (APHIS): The budget includes a total budget authority for APHIS of approximately \$1 billion, a decrease of 9 percent or \$110 million from FY 2017. The budget would provide \$294 million for mandatory programs, an increase of 8 percent or \$22 million from FY 2017. The budget proposes a discretionary appropriation of approximately \$813 million, a decrease of 12 percent or \$112 million from FY 2017. The budget proposes to authorize the collection of about \$20 million in user fees.

Agricultural Marketing Service (AMS): The budget includes a total budget authority of approximately \$1 billion for AMS, a 10 percent decrease from FY 2017. The budget proposes discretionary funding of \$78.5 million, a 5 percent decrease from FY 2017. The budget includes legislative proposals to eliminate the Specialty Crop Block Grant Program and the Farmers Market and Local Food Promotion Program. The budget also seeks \$20 million in user fees from the Marketing Orders and Agreements programs.

Grain Inspection, Packers and Stockyard Administration (GIPSA): The budget includes a total budget authority for GIPSA of \$103 million. The budget also seeks \$30 million in user fees from grain standardization and a Packers and Stockyards license fee.

Food for Peace: A large share of the discretionary funding decrease is tied to eliminating funding for the Food for Peace program (P.L. 480 Title II). Congress appropriated \$1.7 billion for Food for Peace in FY 2017.

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We will continue to monitor the FY 2018 budget request. Should you have any questions, please do not hesitate to contact us.