

# **PARAMETERS OF A SUCCESSFUL FARM BILL**

February 29, 2008

## **Budgetary Framework**

The Administration negotiated with the House of Representatives to develop a farm bill proposal that would cost approximately \$6.1 billion over 10 years above the Congressional Budget Office's (CBO) current baseline. The Administration's support of a farm bill costing \$6.1 billion would be contingent on the bill containing at least the program reforms included in the House of Representatives' proposal dated February 12. This agreement was predicated on fiscal integrity and the inclusion of real farm program reform.

The Administration is willing to consider spending of up to \$10 billion above baseline, if the agreement contains significant program reforms over and above the House proposal dated February 12 and contains the program reform items listed below. This total must include the cost of any companion measure and would specifically include any disaster assistance funding, as well as any provisions within the jurisdiction of the Ways & Means/Finance Committees.

The bill must not include revenue increases, including those labeled as tax compliance initiatives. Tax revenue should not be made available for the sole purpose of increasing government spending.

Any agreement must also eliminate budget gimmicks, including, but not limited to, shifting payments outside the budget scoring window, unrealistically terminating new programs and benefits in individual years, or requiring directed scoring. The recently announced agreement between Democratic Members of Congress includes a spending increase of \$10 billion above baseline. However, timing shifts between fiscal years will result in government outlays significantly exceeding \$10 billion. For instance, as CBO's official scoring of the Senate Committee bill noted "...those changes would shift about \$9.8 billion in net government costs from within the 2008-2017 period until after 2017."<sup>1</sup> Any cost estimate should include actual government outlays and not exclude payments shifted outside the budget window.

The final cost of the bill, whether at \$6.1 billion or up to \$10 billion over baseline, must be fully offset within both the five and ten year period by mutually agreed upon reductions in spending. Such offsets should be included in the same legislative vehicle, allowing the Congress to meet their self-imposed "pay-go" budget requirements.

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<sup>1</sup> Congressional Budget Office Cost Estimate, November 1, 2007 – Food and Energy Security Act of 2007, As ordered reported by the Senate Committee on Agriculture, Nutrition, and Forestry on October 25, 2007

## Farm Bill Reform

Any final farm bill agreement must include real program reform based on items listed below.

**Payment Limitations:** The current Adjusted Gross Income (AGI) limitation must be lowered and include a hard cap at no more than \$500,000. The Administration originally proposed an AGI cap of \$200,000.

**Commodity Support Programs:** Loan rates, target prices and MILC payment rates should not be increased above current law. The final agreement must also eliminate new subsidy programs and exclude commodity storage payments.

**Beneficial Interest:** The marketing loan program must be reformed by eliminating provisions that allow producers to lock-in subsidy levels only to hold and later sell the crop at higher market prices.

**Revenue-Based Countercyclical Program:** The current price-based countercyclical program should be replaced with a revenue-based program that better targets farm support, includes a revenue guarantee cap and does not duplicate crop insurance assistance.

**Dairy Support Program:** The Department of Agriculture must continue to have the authority to adjust dairy component prices (“tilt”) to limit build-up of Commodity Credit Corporation (CCC) dairy stocks.

**Sugar Support Program:** The final agreement must eliminate the sugar to ethanol program, as well as the requirement that allotments not be less than 85 percent of the estimated quantity of sugar for domestic human consumption. Under the proposed sugar to ethanol program, the Department of Agriculture would not be permitted to dispose of excess sugar through uses other than ethanol production, even if those uses would reduce taxpayer costs.

**Crop Insurance:** Crop insurance companies should not be permitted to collude during the renegotiation of the standard reinsurance agreement.

**Elimination of Planting Restrictions:** Fruit and vegetable planting restrictions should be lifted to eliminate any question that direct payments are “green box” in the light of recent World Trade Organization (WTO) rulings.

**Food Aid Flexibility:** Any final agreement must include the Administration’s proposal authorizing up to 25 percent of P.L. 480 Title II food aid assistance for local purchase. In addition, any requirement restricting emergency food aid must be eliminated. This restriction will cut off U.S. food aid to up to eight million people, significantly undermining the ability of the U.S. to save lives in emergency situations.

**Miscellaneous Provisions:** The Administration strongly opposes a number of miscellaneous provisions including, but not limited to, fees related to previously negotiated leases for OCS, expansion of the Davis-Bacon Act, proposals to restrict States’ ability to competitively source Food Stamp Program functions and alterations to current sanctions and restrictions related to Cuba.

### Farm Bill Offset Options (in no particular order)

<b>Provision</b>	<b>5-Year Savings (\$B)</b>	<b>10-Year Savings (\$B)</b>
Extend SSI web-based demonstration project to Medicaid (§817)	-1.2	-4.3
Repeal oil and gas R&D program for “deepwater drilling”	-0.2	-0.3
Extend FCC’s current law authority to auction spectrum	-0.4	-1.4
Clarify authorization for auctions of licenses for domestic satellite services	-0.3	-0.3
Allow more health plan choices in FEHB	-1.2	-3.7
DOI: Share lease revenue 50/50 with states while deducting 2% for admin costs	-0.2	-0.5
BLM Land sales	-0.2	-0.3
Terminate BLM range improvement fund	--	-0.1
Recover Pick-Sloan project cost	-0.1	-0.2
Recover UI overpayments	-1.7	-3.6
End overpayments in Medicare to supplies of equipment (§609)	-3.0	-6.8
Reform federal employees compensation act	-0.1	-0.3
Treasury: Modernize Cash investment practices		-0.1