An additional argument against both proposals to increase NWF receipts maintains that annual utility payments already exceed the amount being spent to develop the waste disposal facility. Cumulative spending from the fund through 1994 was $4 billion, less than half of total collections of $8.2 billion. Similarly, the President's budget request for 1995 anticipated new net receipts from utilities of $551 million (and $320 million from interest income on the fund's balance), compared with its appropriation request of $255 million. Some observers believe that the nuclear waste program could use more money. Given current plans, however, increases in receipts would reduce the federal deficit but are not needed to accommodate the program's near-term growth.

ENT-05 CHARGE ROYALTIES FOR HARDROCK MINING ON FEDERAL LANDS

	Annual Added Receipts (Millions of dollars)					Cumulative Five-Year Addition
	1996	1997	1998	1999	2000	
Addition to Current-Law Receipts	0	70	70	70	70	280

The General Mining Law of 1872 governs access to hardrock minerals---gold, silver, uranium, copper, molybdenum, and most other metals--within the boundaries of public lands. Any holder of more than 10 unpatented mining claims must pay a maintenance fee of $100 a claim. In addition, all claimholders must pay a $25 location fee when recording a location notice for an unpatented claim. Currently, the federal government collects no royalties for the production of hardrock minerals on federal lands. Once minerals are determined to be economically recoverable, the claimholder may apply to buy (patent) the claim by paying the federal government $2.50 or $5 per acre, depending on the type of claim, plus a small application fee.

Legislation to reform the Mining Law of 1872 has been introduced in the Congress for at least the last three sessions. Most recently, in the 103rd Congress, the House of Representatives approved H.R. 322. The Senate had already approved a mining reform bill--S. 775. Both were aimed at reforming the hardrock mining system to bring it into line with the leasing system currently used for exploring and developing oil and gas on federal lands. Under the proposed laws, mining operators on public lands would have to share the profits of mineral production with the federal government by paying a royalty based on the value of minerals produced. In addition, the Administration placed a one-year moratorium on patenting, thus temporarily thwarting mining operators who try to escape royalties by buying the land.

Estimates place the value of hardrock mining production on federal lands at more than $1.2 billion a year, if new patents continue to be issued. The Congressional Budget Office (CBO) estimates that an 8 percent royalty as proposed in H.R. 322 would yield additional receipts totaling about $90 million a year, beginning in 1997. Assuming that states where the production takes place receive 25 percent of this income, the federal Treasury would retain about $70 million annually.

It is difficult to estimate royalty receipts because it is uncertain how the imposition of fees would affect hardrock mining on federal lands. In order to prepare these estimates, CBO assumes that some claims would be relinquished and some production on federal lands would be cut back, at least in the short run.

Those in favor of mining law reform--primarily the environmental community--argue that because the current fees for maintaining a claim on public land are nominal, too much land is tied up in mining. They say that although the principle of free access may have been effective in encouraging the settlement of the West and the production of vital minerals, free access is no longer necessary to ensure development. Also, they argue that royalties will compensate the federal government for the use of public lands and for extraction of minerals from them.

Proponents of mining reform further argue that charging a price for the use of federal lands and their resources will encourage the mining industry to focus on those lands most likely to yield profitable returns. That will free land for other public purposes, such as recreation and wilderness conservation. In addition, a portion of the receipts from royalties could be dedicated to the reclamation of land after mining has been completed.

Opponents of mining law reform--primarily the mining industry--argue that in the absence of free access, exploration for hardrock minerals, particularly by small miners, would decline. They also argue that royalties, by increasing costs to an industry that is already operating close to the margin of profitability, would lower development of minerals and adversely affect regional economies. Since many mineral prices are determined on a world market, mining operators would be unable to pass along most of the royalty and holding fee costs to consumers. Thus, some mines would shut down and set off economic ripples throughout their regions.

Finally, those who are opposed to reform contend that developing a system to collect fees and monitor mining activities more closely would be expensive to administer.

ENT-06 REDUCE DEFICIENCY PAYMENTS TO FARMERS PARTICIPATING IN USDA COMMODITY PROGRAMS BY LOWERING TARGET PRICES

Savings from Current-Law Spending	Annual Savings (Millions of dollars) 1996	1997	1998	1999	2000	Cumulative Five-Year Savings
Budget Authority	501	1,380	2,380	3,338	4,151	11,750
Outlays	501	1,380	2,380	3,338	4,151	11,750

Farmers who participate in federal commodity programs--those who produce corn and other feed grains, wheat, rice, or cotton--receive a deficiency payment, which is the primary form of direct government subsidy to growers. The size of the deficiency payment is calculated in part from the difference between the market price of a crop and a target price. (Table 4-3 shows the target prices set by current law through the 1995 crop year. The Congressional Budget Office baseline assumes that target prices are maintained at these levels for the 1996-2000 crop years.)

Budgetary savings could be achieved by reducing target prices in the years after 1995. The greater the rate of reduction, the greater would be the savings. One alternative would be to reduce target prices by 3 percent a year starting with the 1996 crops (see Table 4-3). Outlay savings would be an estimated $11.75 billion over the 1996-2000 period.

An advantage of reducing target prices is that such a reduction would increase the degree to which farmers respond to market prices, rather than to government program benefits, in making their production decisions. Market prices are better guides to efficient use of resources than are government program benefits.

Lower target prices would reduce farm income by reducing direct government payments. Farm income would not fall by as much as government outlays because some farmers would offset part of the loss by not participating in the commodity programs. Farmers leaving the programs would lose all of their government payments, but they would no longer be required to limit the amount of land planted in particular crops, nor would they need to adopt conservation practices required of participants. And if grain production increased, livestock producers might benefit from lower feed costs.

Despite an improved outlook for agricultural markets, many farmers are still facing financial difficulties. In some cases, financial problems were heightened by droughts or floods in recent years. Further reductions in target prices would intensify these difficulties.

Table 4-3.
Target Crop Prices Under CBO Baseline Assumptions and Under 3 Percent Annual Reductions (By crop year)

	1995	1996	1997	1998	1999	2000
			CBO Baseline Assumptions			
Wheat	4.00	4.00	4.00	4.00	4.00	4.00
Corn	2.75	2.75	2.75	2.75	2.75	2.75
Rice	10.71	10.71	10.71	10.71	10.71	10.71
Cotton	0.729	0.729	0.729	0.729	0.729	0.729
			3 Percent Annual Reductions			
Wheat	4.00	3.88	3.76	3.65	3.54	3.43
Corn	2.75	2.67	2.59	2.51	2.43	2.36
Rice	10.71	10.39	10.08	9.77	9.48	9.20
Cotton	0.729	0.707	0.686	0.665	0.645	0.626

SOURCE: Congressional Budget Office.

NOTE: Wheat and corn in dollars per bushel; rice in dollars per hundredweight; cotton in dollars per pound.

ENT-07 ELIMINATE THE 0/85-92 AND 50/85-92 PROGRAMS FOR PARTICIPANTS IN USDA COMMODITY PROGRAMS

Savings from Current-Law Spending	Annual Savings (Millions of dollars) 1996	1997	1998	1999	2000	Cumulative Five-Year Savings
Budget Authority	161	292	341	369	359	1,522
Outlays	161	292	341	369	359	1,522

Current law allows participants in U.S. Department of Agriculture (USDA) price and income support programs to receive 85 percent of their deficiency payments, even though they may plant as little as 50 percent of their eligible acreage in the program crop (the 50/85 program available to cotton and rice producers), or even though they do not plant any of the program crop (the 0/85 program available for wheat and feed grain producers). Participants who are prevented from planting by natural conditions can receive 92 percent of their deficiency payments. Producers must leave the land idle or, under certain conditions, may plant minor oilseeds such as sunflower, flaxseed, and canola. This option would eliminate these programs. Producers would have to plant the program crop to receive deficiency payments. In the 1994 crop year, almost 12 million acres went unplanted in the program crops under the 0/85-92 or 0/50-92 programs.

Eliminating these programs would save $1.5 billion over the 1996-2000 period. This estimate assumes that the Secretary of Agriculture would increase the acreage reduction program requirement for each supported crop if it was anticipated that eliminating the 0/85 and 50/85 programs would increase plantings. Participation in the acreage reduction program, under which producers agree not to plant a portion of their eligible land in the supported crop, is voluntary and unpaid. Producers must participate, however, to receive deficiency payments and other program benefits.

Eliminating these programs (and maintaining production at a given level by increasing the acreage reduction programs) would in effect substitute unpaid acreage reduction for paid acreage reduction. The Secretary of Agriculture has considerable discretion to increase unpaid acreage reduction requirements under the current outlook for program commodities, and proponents of this option would argue that there is no need to pay farmers to cut acreage. The programs that would be eliminated by this option were introduced at a time when unpaid acreage reduction requirements were high, and the Secretary had little discretion to increase them.

Opponents of eliminating these programs might argue that such a move would constitute "recoupling" program benefits with planting decisions, encouraging farmers to plant some land that might better be left idle from the perspective of market returns alone.

ENT-08 RAISE THE PROPORTION OF EACH FARMER'S BASE ACREAGE INELIGIBLE FOR DEFICIENCY PAYMENTS

Savings from Current-Law Spending	Annual Savings (Millions of dollars) 1996	1997	1998	1999	2000	Cumulative Five-Year Savings
	Raise Ineligible Acres to 20 Percent of Base					
Budget Authority	222	391	464	458	446	1,981
Outlays	222	391	464	458	446	1,981
	Raise Ineligible Acres to 25 Percent of Base					
Budget Authority	444	781	927	915	892	3,959
Outlays	444	781	927	915	892	3,959

Outlays of the Commodity Credit Corporation could be reduced by raising the number of acres ineligible for deficiency payments. Raising the proportion of land ineligible for payments from 15 percent to 20 percent of base acres would save $222 million in 1996 and nearly $2 billion over the 1996-2000 period. Raising ineligible acres to 25 percent of base would save $444 million in 1996 and nearly $4 billion over the 1996-2000 period.

Currently, wheat, feed grains, cotton, and rice producers who participate in commodity programs receive a deficiency payment. The size of the deficiency payment is generally equal to the difference between the target price for the commodity and its market price, times the program yield assigned to the farm, times "payment acres." Payment acres equal 85 percent of the farm's crop acreage base, less land idled to comply with the acreage reduction program that is in effect for the crop during that crop year. This option would expand the changes made in the Omnibus Budget Reconciliation Act of 1990 by decreasing the amount of land eligible to receive deficiency payments. Producers would be permitted to plant any program crop or oilseed on this additional unpaid acreage without losing eligibility for future program benefits. These changes would be introduced to reduce program spending and to increase the flexibility that farmers have in making planting decisions in response to the needs of the market rather than the rules of the farm programs.

A disadvantage of this option is that it would decrease farm income for most participants in commodity programs and for people raising crops that do not directly receive federal support. Program participants would shift some production away from program crops on land no longer earning subsidies and toward alternative crops. As a result of these changing production patterns, the incomes of growers of nonprogram crops would be hurt by the new competition.

ENT-09 RESTRICT ELIGIBILITY FOR BENEFITS FROM PRICE SUPPORT PROGRAMS AND REDUCE THE PAYMENT LIMITATION

Savings from Current-Law Spending	Annual Savings (Millions of dollars) 1996	1997	1998	1999	2000	Cumulative Five-Year Savings
Limit Payments to $50,000 per Person						
Budget Authority	51	91	106	105	104	457
Outlays	51	91	106	105	104	457
Limit Payments to $40,000 per Person						
Budget Authority	148	267	309	306	304	1,334
Outlays	148	267	309	306	204	1,334
Disqualify People Whose Adjusted Gross Income from Nonfarm Sources Exceeds $100,000						
Budget Authority	41	73	85	84	83	366
Outlays	41	73	85	84	83	366
Disqualify People Whose Gross Revenue from Commodity Sales Exceeds $500,000						
Budget Authority	79	142	165	163	162	711
Outlays	79	142	165	163	162	711

Current law limits participants in crop price support programs to no more than $100,000 in deficiency payment benefits from the Commodity Credit Corporation during any crop year. The maximum in deficiency payments that can be received is $50,000 for an individual, plus $25,000 for a shareholder in a maximum of two corporate farms (each of which is entitled to a maximum payment of $50,000). The maximum of $100,000 can be achieved only by people who are actively engaged in the operations of relatively large farms and who have organized their farm businesses to maximize government payments.

Government costs could be reduced by allowing each farm operator to receive only the individual payment and eliminating the two corporate farm payments. This option would reduce spending by an estimated $457 million during the 1996-2000 period. Outlays could be cut further by reducing the maximum direct payment from $50,000 to $40,000, with estimated savings totaling $1.3 billion over the 1996-2000 period.

Eligibility for payments could also be limited on the basis of income or gross sales. Disqualifying people with adjusted gross income from nonfarm sources over $100,000 would save $366 million over the period. Disqualifying those with gross revenues from commodity sales over $500,000 would save an estimated $711 million over the period.

Support for these changes is based on the belief that current payment limits are too high. If reductions in program spending are required, they should come from relatively large farming operations rather than relatively small ones. In addition, reducing the limit on direct government payments would reduce their influence on the production decisions of operators of large farms, causing them to be more responsive to market returns. Operators of smaller farms, who are more likely to need government assistance, would continue to receive program benefits.

This change could harm farm operations of relatively efficient size. In addition, until operating and price subsidies are reduced for producers in foreign countries, increasing the exposure of the most efficient U.S. farmers to market forces could hurt long-term prospects for the farm sector. Finally, the ability of some farmers to reorganize their holdings to avoid the payment limitations reduces the effectiveness of the limitation and increases the uncertainty of the estimated budgetary savings.

ENT-10 REDUCE LOAN GUARANTEES MADE UNDER THE USDA'S EXPORT CREDIT PROGRAMS BY ELIMINATING GUARANTEES FOR LOANS TO HIGH-RISK BORROWERS

Savings from Current-Law Spending	Annual Savings (Millions of dollars) 1996	1997	1998	1999	2000	Cumulative Five-Year Savings
Budget Authority	-229	244	230	222	214	681
Outlays	-229	244	230	222	214	681

The U.S. government guarantees short- and intermediate-term loans made by commercial banks to finance foreign purchases of U.S. agricultural commodities and products. The government requires that borrowers be creditworthy. The purpose of these programs is to encourage exports of U.S. goods. Credit terms, in addition to price, are an important element of competition in world markets.

When a foreign buyer misses a loan payment, the bank making the original loan submits a claim to the U.S. Department of Agriculture. The USDA reimburses the bank, takes over the loan, and attempts collection. The U.S. government guarantees 98 percent of the principal of the loan, except loans to the republics of the former Soviet Union. In these loans, the government has guaranteed 100 percent of the principal.

This option would limit annual guarantees to $3.3 billion--about $750 million less than assumed under current law. The estimate of savings assumes that the entire reduction would derive from eliminating the guarantees for loans to the republics of the former Soviet Union, which are now considered to be the world's most risky borrowers receiving guarantees. Although Russia has, at times, been ineligible for additional credit guarantees, the Congressional Budget Office (CBO) estimate for current-law spending assumes that Russia will be eligible for new credit guarantees in 1995 and beyond. Eliminating these guarantees would increase government outlays in the first year because U.S. exports of price-supported agricultural commodities would decline. CBO assumes that in each of the following years, an increase in the acreage set-aside would compensate for the lost exports by lowering production. On balance, this change would reduce outlays by $681 million over the 1996-2000 period.

Proponents of reducing guarantees of credit would argue that they are overused and potentially extremely costly. The benefits of the first several billion dollars in guarantees--in terms of export promotion--may be substantial, but the net benefit diminishes, particularly since the additional guarantees are extended to countries that are at high risk of default.

Opponents of reducing credit guarantees argue that they are vital in retaining the U.S. share of competitive world markets. Opponents also argue that these guarantees are an important part of necessary aid to the republics of the former Soviet Union; CBO assumes that under current law they will receive $750 million in guaranteed credit during 1996. (Some supporters of more aid to these countries, however, would prefer that they be given commodities, rather than sold them with money loaned at high risk of default.) In addition, some agricultural producers believe that total exports and the prices that they receive for their commodities would be substantially lower without these credits.

ENT-11 ELIMINATE THE EXPORT ENHANCEMENT PROGRAM

Savings from Current-Law Spending	Annual Savings (Millions of dollars)					Cumulative Five-Year Savings
	1996	1997	1998	1999	2000	
Budget Authority	257	946	838	730	617	3,388
Outlays	257	946	838	730	617	3,388

The U.S. Department of Agriculture (USDA) subsidizes the export of agricultural commodities through the Export Enhancement Program (EEP). U.S. exporters participating in the EEP negotiate directly with buyers in a targeted country, then submit bids to the USDA for cash bonuses. The bids include the sale price, tentatively agreed to with the buyer, and the amount of the subsidy or bonus requested by the exporter.

The signatories of the Uruguay Round agreements of the General Agreement on Tariffs and Trade have agreed to reduce the volume of subsidized exports of, and budgetary outlays on export subsidies for, agricultural products. Although the Uruguay Round agreements will restrict the EEP, which the United States has used to compete with the subsidy programs of other countries, they will not eliminate the program. Moreover, the legislation to carry out the agreements removes the requirement in U.S. law that the EEP be used as a response to unfair trade practices, so that it can be used more generally for market promotion and expansion.

Since its inception in 1985, the EEP has paid $7 billion in bonuses, mostly to assist wheat exports. Eliminating the program would save about $3.4 billion during the 1996-2000 period.

On the one hand, the EEP may help to increase U.S. exports or maintain market share. On the other, it is not clear how effective the program has been as a counterweight to foreign subsidies, or how effective it will be under a broader mandate. Moreover, some critics argue that the EEP has depressed world commodity prices, thereby penalizing competitors who do not subsidize their exports.

ENT-12 ELIMINATE THE MARKET PROMOTION PROGRAM

Savings from Current-Law Spending	Annual Savings (Millions of dollars) 1996	1997	1998	1999	2000	Cumulative Five-Year Savings
Budget Authority	13	91	110	110	110	434
Outlays	13	91	110	110	110	434

The Market Promotion Program (MPP) was authorized under the 1990 Food, Agriculture, Conservation, and Trade Act to assist U.S. agricultural exporters, particularly when they faced unfair trading practices abroad. (The Uruguay Round Agreements Act stipulates that MPP assistance need no longer be aimed at the unfair trading practices of other countries.) Payments are made to offset partially the costs of market building and commodity promotion undertaken by state-related, private nonprofit, and private profit-making firms. The MPP has continued the Targeted Export Assistance Program, which was aimed mainly at specialty crops such as fruits and nuts, but has also selected wine, plywood, feed grains, meat, eggs, and several other agricultural products for promotion. Based on current law, the Congressional Budget Office assumes that $110 million will be spent annually for the program in the 1996-2000 period. Eliminating it would reduce outlays by $434 million over the next five years.

An argument for eliminating MPP funding is that the assisted groups benefit directly from the market development activities and thus should bear the full costs. The practice of subsidizing brand-name advertising by private firms in particular has come under fire. In addition, marketing funds are provided through other Department of Agriculture activities, such as the cooperator program of the Foreign Agricultural Service. Moreover, agricultural goods receive a disproportionate share of all federal funding for activities promoting U.S. exports.

However, eliminating the MPP could place U.S. exporters at a disadvantage in international markets. People concerned about U.S. exports of high-valued agricultural products consider the program a useful tool for developing markets for these products.

ENT-13 REDUCE COSTS FOR THE DAIRY PRICE SUPPORT PROGRAM BY INCREASING PRODUCER CONTRIBUTIONS

Savings from Current-Law Spending	Annual Savings (Millions of dollars) 1996	1997	1998	1999	2000	Cumulative Five-Year Savings
Budget Authority	122	160	227	262	193	964
Outlays	122	160	227	262	193	964

The income of dairy producers is protected and increased through the purchase of storable dairy products by the U.S. Department of Agriculture's (USDA's) dairy price support program. Their income is further supported by marketing orders, which set minimum prices for milk designated for various uses. The dairy industry is also protected from foreign competition, although the degree of protection is being reduced to comply with the Uruguay Round agreements.

Consumers may benefit because the dairy price support program helps to stabilize prices of milk and milk products. Some needy families, schools, and other institutions gain through the free distribution of dairy products that are purchased by the USDA. The program raises the prices of dairy products, however, and thus consumer costs, above the levels they would reach without government intervention.

One method of reducing the costs of dairy programs would be to increase the assessments levied on dairy farmers' production. The current assessment averages $0.1125 per hundredweight of milk marketed. (Producers who do not expand production from one year to the next may have their assessments rebated. The rate of assessment charged producers whose output is expanding would be increased to maintain the average at $0.1125 per hundredweight.) The average assessment is scheduled to decline to $0.10 per hundredweight in 1996. Increasing assessments to $0.25 per hundredweight starting in January 1996 would save an estimated $964 million over the 1996-2000 period.

This method of reducing dairy program costs would be straightforward and relatively easy to administer. Many dairy producers favor this approach to cutting program costs over such alternatives as reducing federal price supports. A cut in the price support level for milk would cause a drop in the price that both consumers and the government pay for milk and milk products. Government purchases account for a relatively small portion of the total dairy market. Thus, in order to generate a significant amount of savings, the price cut would have to be relatively large. By contrast, an assessment would apply to the marketing of all milk. Therefore, a relatively small assessment would generate significant savings. As a result, the income of dairy farmers would be reduced less by the assessment than by a cut in support prices generating similar budgetary savings.

Raising these assessments, however, would reduce the net incomes of dairy farmers. Furthermore, the dairy industry would be paying part of the costs of purchases by the federal government of dairy products, much of which are used in domestic food assistance programs. Some people would argue that this assistance should be paid for by the taxpayer rather than the dairy industry. Moreover, raising the assessment would further penalize expanding operators, many of whom may achieve greater efficiency by growing or may be younger farmers trying to attain an efficient size.

ENT-14 REFORM MILK MARKETING ORDERS

Savings from Current-Law Spending	Annual Savings (Millions of dollars) 1996	1997	1998	1999	2000	Cumulative Five-Year Savings
Budget Authority	149	166	173	119	62	669
Outlays	149	166	173	119	62	669

Minimum prices paid by processors and handlers for most milk produced in the United States are regulated by federal milk marketing orders that evolved from legislation first enacted in the 1930s. The intended effect of these regulated prices is to increase returns to dairy farmers and stabilize supplies and prices of milk for fluid use.

The milk marketing orders and the milk price support program of the Department of Agriculture (USDA) are interrelated. The price support program provides a floor for prices of manufacturing-grade milk by buying milk products (cheese, butter, and nonfat dry milk) if their prices fall below specified support levels. Marketing orders set minimum prices that must be paid for milk for fluid use, based on the manufacturing-grade price plus differentials that are unique to each of the nearly 40 regional orders.

This option would eliminate marketing orders regulating the price of milk. The average price received by dairy farmers would decline as a result, reducing their income and causing shifts in the pattern of production and processing throughout the country.

Proponents of deregulating the prices of milk claim that original rationales for regulating prices--apart from increasing producers' income--no longer justify federal intervention in the market for milk. The regulations were introduced when long-distance transportation of milk was prohibitively expensive. At that time, moving milk from one area to dampen price swings in other areas was often impossible.

Local production, even in areas where production costs are high, is encouraged by the classified pricing system to ensure adequate supplies at reasonable prices.

Conditions have changed since the government introduced marketing orders. Now, with improvements in road systems and refrigerated transportation and changes in production technologies and consumption patterns, many analysts believe that regulated markets are no longer needed. Furthermore, using technology to reconstitute fluid milk--now discouraged by the regulated pricing system--would cut transport costs dramatically. Production would locate in the more efficient areas. That would lower milk prices for consumers. Greater variation in consumer prices might result, although fluid milk makes up a much smaller proportion of the food budget now than in the past. And benefits originally attributed to more stable prices would be less than at the time these regulated prices were first imposed.

This option would leave intact the USDA's milk price support program but would reduce its outlays by about $669 million over the 1996-2000 period. Spending would fall because eliminating pricing regulations would cut average prices received by farmers, which would discourage milk production and reduce government purchases of dairy products. The USDA's price support program would continue to protect incomes of dairy producers, but at lower levels than under current law.

ENT-15 INCREASE PRODUCER ASSESSMENTS TO PARTICIPANTS IN FEDERAL PROGRAMS SUPPORTING PRICES OF SUGAR, PEANUTS, AND TOBACCO

Savings from Current-Law Spending	Annual Savings (Millions of dollars) 1996	1997	1998	1999	2000	Cumulative Five-Year Savings
Budget Authority	13	75	72	75	75	310
Outlays	13	75	72	75	75	310

Government programs aid producers of sugar, peanuts, and tobacco by supporting domestic prices above world market levels. These commodities are bolstered by a combination of import restrictions, domestic production controls, and price-supporting loans. As part of its efforts to cut total farm program spending, the federal government has imposed "assessments" on producers of these commodities. The assessments equal about 1 percent of the value of loans or marketing. Annual receipts from the assessment in the sugar program total about $33 million. The total assessment for peanuts is about $12 million annually, and for tobacco, about $28 million.

Net federal outlays vary for the programs supporting these crops. The Congressional Budget Office projects that under current law the sugar program will have no other net direct outlays--loan outlays are repaid within the fiscal year, so net outlays for the year equal receipts from the assessments. Net outlays for the peanut program have been negligible in the recent past, but are expected to range between $63 million and $91 million during the 1996-2000 period. The rise is caused by lagging repayments and increasing volumes of production entering the price-support loan program at annually increasing loan rates (the per-unit loan allowed by law). The tobacco program may have substantial outlays in a given year--1994 outlays were $693 million--but if the program functions as intended, no net cost to the government is expected.

This option would double the current assessments on domestic producers in the sugar, peanut, and tobacco programs. Doubling these assessments would bring in receipts of about $310 million over the 1996-2000 period.

Deficit reduction is the main benefit of increasing these assessments. Proponents argue that government programs give producers of these commodities substantial benefits, although the support is not in the form of direct payments. They argue that program beneficiaries should not escape the deficit reduction efforts experienced by producers of other supported commodities just because the mechanism of support is indirect. Opponents would argue that since these programs add little to the federal deficit, producers should not be assessed to reduce the deficit.