



May 23, 2013

Honorable Frank D. Lucas  
Chairman  
Committee on Agriculture  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

CBO has prepared a cost estimate for H.R. 1947, the Agriculture Reform and Risk Management Act of 2013, as ordered reported by the House Committee on Agriculture on May 15, 2013.

### **Estimated Budgetary Effects**

CBO estimates that direct spending stemming from the program authorizations in H.R. 1947 would total \$940 billion over the 2014-2023 period. That 10-year total reflects the bill's authorization of expiring programs through 2018 *and* an extension of those authorizations through 2023, consistent with the rules governing baseline projections that are specified in the Balanced Budget and Emergency Deficit Control Act of 1985.

Relative to spending projected under CBO's May 2013 baseline, CBO estimates that enacting the bill would reduce direct spending by \$33.3 billion over the 2014-2023 period. The estimated budgetary effects of H.R. 1947 are summarized in Table 1. CBO estimates that sections 10008 and 10015 of the bill would increase revenues by \$64 million over the 2014-2023 period. Further details of the changes in direct spending and revenues are displayed in Table 2.

Assuming appropriation of the specified and necessary amounts, CBO also estimates that implementing the bill would result in discretionary spending

of \$27.4 billion over the 2014-2018 period and \$33.4 billion over the 2014-2023 period. Further details of that estimate for discretionary spending are displayed in Table 3.

### **Intergovernmental Mandates**

The bill would impose an intergovernmental mandate, as defined in the Unfunded Mandates Reform Act (UMRA), by preempting state laws that regulate the production and manufacture of agricultural products offered for sale in interstate commerce if those laws impose standards or conditions that are in addition to the standards and conditions imposed by federal law or the laws of the producing or manufacturing state. Many states have laws regulating the production and manufacture of agricultural products that are different than the laws of other states.

By limiting a state's ability to regulate agricultural products sold under its jurisdiction, the bill would preempt state authority. However, because the preemption would impose no duty on state governments that would result in additional spending, the threshold established by UMRA for costs of intergovernmental mandates (\$75 million in 2013, adjusted annually for inflation) would not be exceeded.

### **Private-Sector Mandates**

The bill also would impose private-sector mandates as defined in UMRA. The aggregate cost of those mandates could exceed the annual threshold established in UMRA for private-sector mandates (\$150 million in 2013, adjusted annually for inflation), depending on the extent of regulations that might be implemented by the Department of Agriculture. Specifically:

- The bill would impose mandates on dairy handlers that purchase milk from dairy producers participating in the Dairy Market Stabilization Program (DMSP). Under the DMSP, certain handlers would be required to report information to the Department of Agriculture under some circumstances. According to information from industry sources, the cost for handlers to collect and report information under the DMSP could amount to \$100 million or more annually, depending on regulations to be issued by the department.

- The bill would require imports of olive oil to meet the same standards as olive oil produced in the United States if a marketing order for olive oil is established. Imports would have to be inspected to ensure compliance with the standards of such a marketing order. Because 15,000 to 20,000 lots of olive oil are imported annually, the costs of those inspections could amount to tens of millions of dollars per year, if a marketing order is established.
- The bill would expand the list of commodities eligible for federal research and promotion programs, which are funded through industry assessments. If approved by the Department of Agriculture and approved by industry referendum, members of the industry would be required to pay an assessment. Based on information from industries seeking to establish a federal research and promotion program, CBO estimates that the assessments would amount to tens of millions of dollars annually.

### **Previous CBO Cost Estimate**

On May 13, 2013, CBO transmitted a cost estimate for draft legislation entitled the Agriculture Reform and Risk Management Act of 2013, as posted on the website of the House Committee on Agriculture on May 10, 2013. CBO's estimate for the direct spending provisions of H.R. 1947 is similar to those in the earlier draft legislation. Enacting H.R. 1947 would lead to a small increase in revenues; the earlier version of the legislation would have had no impact on revenues.

On May 17, 2013, CBO transmitted a cost estimate for S. 954, the Agriculture Reform, Food, and Jobs Act of 2013, as reported by the Senate Committee on Agriculture, Nutrition, and Forestry on May 9, 2013. CBO estimates that enacting S. 954 would reduce direct spending by \$17.8 billion and increase revenues by \$54 million over the 2014-2023 period, relative to CBO's May 2013 baseline.

### **Pay-As-You-Go Considerations**

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. Enacting H.R. 1947 would affect direct spending and revenues; therefore, pay-as-you-go procedures apply. The net change in outlays and revenues that are subject to those pay-as-you-go procedures are shown in Table 4.

Honorable Frank D. Lucas

Page 4

If you need further details on this estimate, we would be pleased to provide them. The CBO staff contacts for federal costs are Kathleen FitzGerald, Emily Stern, Dan Hoople, David Hull, and Jim Langley. The CBO staff contact for intergovernmental mandates is J'nell L. Blanco. The CBO staff contact for private-sector mandates is Amy Petz.

Sincerely,

*for Robert A. Gundersen*

Douglas W. Elmendorf  
Director

Enclosures

cc: Honorable Collin C. Peterson  
Ranking Member

**TABLE 1. SUMMARY OF ESTIMATED BUDGETARY EFFECTS OF H.R. 1947, THE FEDERAL AGRICULTURE REFORM AND RISK MANAGEMENT ACT OF 2013**

	By Fiscal Year, in Millions of Dollars											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
<b>CHANGES IN DIRECT SPENDING</b>												
Estimated Budget Authority	2,112	-4,665	-3,243	-2,938	-3,176	-3,772	-3,924	-3,916	-4,092	-4,158	-11,909	-31,771
Estimated Outlays	578	-4,715	-3,101	-3,112	-3,115	-3,763	-3,884	-3,950	-4,096	-4,176	-13,464	-33,333
<b>CHANGES IN REVENUES</b>												
Estimated Revenues	0	2	5	5	6	6	8	8	12	12	18	64
<b>INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES</b>												
Net Impact on the Deficit	578	-4,717	-3,106	-3,117	-3,121	-3,769	-3,892	-3,958	-4,108	-4,188	-13,482	-33,397
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>												
Estimated Authorization Level	6,602	6,507	6,555	6,596	6,638	507	7	7	7	7	32,898	33,433
Estimated Outlays	3,019	5,176	6,184	6,465	6,598	3,680	1,611	431	155	45	27,442	33,365

Note: Components may not sum to totals because of rounding.

**Table 2. Detailed Effects on Direct Spending from H.R. 1947, the Federal Agriculture Reform and Risk Management Act of 2013, as Ordered Reported by the House Committee on Agriculture on May 15, 2013**

(Millions of dollars, by fiscal year)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
<b>CHANGES IN DIRECT SPENDING OUTLAYS</b>												
<b>Title I - Commodity Programs</b>												
Repeal Direct Payments	0	-4,095	-4,158	-4,538	-4,538	-4,538	-4,538	-4,538	-4,538	-4,538	-17,329	-40,019
Repeal Countercyclical Payments	0	0	-117	-182	-190	-215	-217	-207	-197	-194	-489	-1,519
Repeal Average Crop Revenue Election Payments	0	0	-1,336	-696	-462	-424	-413	-454	-429	-505	-2,494	-4,719
Farm Risk Management Election	0	0	3,368	3,467	3,244	2,733	2,603	2,698	2,563	2,693	10,079	23,369
Nonrecourse Marketing Assistance Loans	4	6	7	5	5	4	4	6	6	5	27	52
Sugar Program	0	0	0	0	0	0	0	0	0	0	0	0
Dairy Program	-35	10	23	11	35	77	97	53	82	83	44	436
Supplemental Agriculture Disaster Assistance	897	364	314	296	295	297	300	302	303	306	2,166	3,674
Administration	65	35	0	0	0	0	0	0	0	0	100	100
<b>Subtotal, Title I</b>	<b>931</b>	<b>-3,680</b>	<b>-1,899</b>	<b>-1,637</b>	<b>-1,611</b>	<b>-2,066</b>	<b>-2,164</b>	<b>-2,140</b>	<b>-2,210</b>	<b>-2,150</b>	<b>-7,896</b>	<b>-18,626</b>
<b>Title II - Conservation</b>												
Conservation Reserve Program	20	30	-191	-354	-396	-462	-451	-468	-502	-565	-891	-3,339
Conservation Stewardship Program	-11	-85	-147	-219	-290	-372	-446	-518	-591	-663	-752	-3,342
Environmental Quality Incentives Program	30	58	72	87	101	114	128	128	128	128	348	974
Agricultural Conservation Easement Program	28	149	252	285	191	83	40	27	16	16	905	1,087
Regional Conservation Partnership Program	-1	-3	-3	-3	-3	-3	-3	-3	-3	-3	-13	-28
Other Conservation Programs	47	100	85	48	17	4	4	4	4	4	297	317
Funding	10	10	10	10	10	10	10	10	10	10	50	100
Repeal of Wildlife Habitat Incentives Program	-17	-35	-44	-53	-61	-70	-79	-79	-79	-79	-210	-596
<b>Subtotal, Title II</b>	<b>106</b>	<b>224</b>	<b>34</b>	<b>-199</b>	<b>-431</b>	<b>-696</b>	<b>-797</b>	<b>-899</b>	<b>-1,017</b>	<b>-1,152</b>	<b>-266</b>	<b>-4,827</b>
<b>Title III - Trade</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>75</b>	<b>150</b>
<b>Title IV - Nutrition</b>												
Retailers	-7	-8	-8	-8	-8	-8	-8	-8	-8	-8	-39	-79
Updating Program Eligibility	-535	-1,295	-1,295	-1,270	-1,240	-1,220	-1,200	-1,175	-1,165	-1,160	-5,635	-11,555
Standard Utility Allowances	-190	-840	-940	-950	-950	-950	-950	-960	-970	-990	-3,870	-8,690
Repeal Bonus Program	-48	-48	-48	-48	-48	-48	-48	-48	-48	-48	-240	-480
Pilot Projects to Reduce Dependency	3	5	10	10	2	0	0	0	0	0	30	30
Assistance for Community Food Projects	10	10	10	10	10	10	10	10	10	10	50	100
Emergency Food Assistance	20	20	21	21	21	22	22	23	23	24	103	217
Nutrition Education	-26	-25	-26	-26	-27	-28	-28	-29	-29	-30	-130	-274
Retailer Trafficking	5	5	5	5	5	5	5	5	5	5	25	50
Northern Mariana Islands Pilot Program	1	1	10	10	9	2	0	0	0	0	31	33
Interactions	5	15	15	15	15	15	15	15	15	15	65	140
<b>Subtotal, Title IV</b>	<b>-762</b>	<b>-2,160</b>	<b>-2,246</b>	<b>-2,231</b>	<b>-2,212</b>	<b>-2,200</b>	<b>-2,182</b>	<b>-2,167</b>	<b>-2,167</b>	<b>-2,182</b>	<b>-9,611</b>	<b>-20,509</b>
<b>Title V - Credit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

continued

**Table 2. continued.**

(Millions of dollars, by fiscal year)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
<b>CHANGES IN DIRECT SPENDING OUTLAYS</b>												
<b>Title VI - Rural Development</b>												
Rural Economic Development Loans and Grants	0	2	5	5	5	5	6	6	6	6	17	46
Value-Added Marketing Grants	0	18	15	15	2	0	0	0	0	0	50	50
<b>Subtotal, Title VI</b>	<b>0</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>7</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>67</b>	<b>96</b>
<b>Title VII - Research, Extension, and Related Matters</b>												
Organic Agriculture Research and Extension	10	16	20	20	20	10	4	0	0	0	86	100
Specialty Crop Research	26	40	53	54	60	63	65	65	65	65	232	555
Beginning Farmer and Rancher Development	5	10	16	20	20	15	10	4	0	0	71	100
Acceptance of Facility for Agricultural Research	0	1	1	1	1	1	0	0	0	0	4	5
<b>Subtotal, Title VII</b>	<b>41</b>	<b>67</b>	<b>90</b>	<b>95</b>	<b>101</b>	<b>89</b>	<b>79</b>	<b>69</b>	<b>65</b>	<b>65</b>	<b>394</b>	<b>760</b>
<b>Title VIII - Forestry</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>5</b>
<b>Title IX - Energy</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Title X - Horticulture</b>												
Farmers Market and Local Food Promotion	30	30	30	30	30	0	0	0	0	0	150	150
Specialty Crop Block Grants	9	16	18	18	24	29	30	30	30	30	83	232
Plant Pest and Disease Management	3	8	9	10	16	20	22	24	25	25	46	161
<b>Subtotal, Title X</b>	<b>42</b>	<b>53</b>	<b>57</b>	<b>58</b>	<b>69</b>	<b>49</b>	<b>52</b>	<b>54</b>	<b>55</b>	<b>55</b>	<b>279</b>	<b>543</b>
<b>Title XI - Crop Insurance</b>												
Supplemental Coverage Option	26	254	335	366	433	454	484	484	502	511	1,414	3,850
Catastrophic Crop Insurance Rerating	-4	-38	-50	-52	-52	-53	-54	-55	-55	-56	-196	-469
Enterprise Units for Irrigated and Nonirrigated Crops	5	47	62	63	64	66	68	69	71	72	241	586
Adjustment in Average Producer History Yields	2	21	49	75	102	129	137	139	141	143	248	936
Equitable Relief for Specialty Crop Producers	127	36	37	5	0	0	0	0	0	0	205	205
Crop Production on Native Sod (Prairie Potholes)	0	-4	-8	-11	-15	-16	-16	-16	-16	-16	-38	-118
Coverage Level by Practice	0	2	17	20	21	21	21	22	22	22	60	168
Beginning Farmer and Rancher Provisions	2	20	26	28	31	34	35	36	36	36	106	283
Stacked Income Protection for Cotton	36	350	378	308	386	409	439	451	468	466	1,459	3,693
Peanut Revenue Crop Insurance	3	26	30	30	30	30	30	30	30	30	119	269
Implementation	2	21	16	15	15	14	2	0	0	0	69	85
Participation Effects of Commodity Programs	0	-9	-87	-104	-92	-63	-52	-60	-54	-53	-291	-574
<b>Subtotal, Title XI</b>	<b>199</b>	<b>725</b>	<b>805</b>	<b>744</b>	<b>923</b>	<b>1,024</b>	<b>1,093</b>	<b>1,101</b>	<b>1,145</b>	<b>1,155</b>	<b>3,396</b>	<b>8,914</b>

continued

**Table 2. continued.**

(Millions of dollars, by fiscal year)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
<b>CHANGES IN DIRECT SPENDING OUTLAYS</b>												
<b>Title XII - Miscellaneous</b>												
Outreach to Socially Disadvantaged Producers	5	8	10	10	10	5	2	0	0	0	43	50
Noninsured Crop Assistance Program	1	11	13	13	12	12	12	12	12	12	51	111
<b>Subtotal, Title XI</b>	<b>6</b>	<b>19</b>	<b>23</b>	<b>23</b>	<b>22</b>	<b>17</b>	<b>14</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>94</b>	<b>161</b>
<b>Total Changes in Direct Spending</b>	<b>578</b>	<b>-4,715</b>	<b>-3,101</b>	<b>-3,112</b>	<b>-3,115</b>	<b>-3,763</b>	<b>-3,884</b>	<b>-3,950</b>	<b>-4,096</b>	<b>-4,176</b>	<b>-13,464</b>	<b>-33,333</b>
<b>CHANGES IN REVENUES</b>												
<b>Title X -- Organic Product Promotion Orders</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>7</b>	<b>7</b>	<b>10</b>	<b>10</b>	<b>15</b>	<b>54</b>
<b>Title X -- Christmas Tree Promotion Orders</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>10</b>
<b>INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES</b>												
<b>Net Impact on the Deficit</b>	<b>578</b>	<b>-4,717</b>	<b>-3,106</b>	<b>-3,117</b>	<b>-3,121</b>	<b>-3,769</b>	<b>-3,892</b>	<b>-3,958</b>	<b>-4,108</b>	<b>-4,188</b>	<b>-13,482</b>	<b>-33,397</b>

Source: Congressional Budget Office.

Note: Components may not sum to totals because of rounding.

**Table 3. Estimated Spending Subject to Appropriation in H.R. 1947, the Federal Agriculture Reform and Risk Management Act of 2013, as Ordered Reported by the House Committee on Agriculture on May 15, 2014**

(Millions of dollars, by fiscal year)

	2014	2015	2016	2017	2018	2014-2018
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>						
<b>Title I - Commodity Programs</b>						
Estimated Authorization Level	5	5	5	5	5	25
Estimated Outlays	4	5	5	5	5	24
<b>Title II - Conservation</b>						
Estimated Authorization Level	165	165	165	165	165	825
Estimated Outlays	81	123	149	162	165	680
<b>Title III - Trade</b>						
Estimated Authorization Level	2,197	2,202	2,206	2,210	2,214	11,029
Estimated Outlays	790	1,821	2,053	2,149	2,189	9,002
<b>Title IV - Nutrition</b>						
Estimated Authorization Level	330	204	208	212	216	1,168
Estimated Outlays	198	227	232	236	240	1,131
<b>Title V - Credit</b>						
Estimated Authorization Level	409	415	430	437	445	2,136
Estimated Outlays	376	415	429	436	444	2,100
<b>Title VI - Rural Development</b>						
Estimated Authorization Level	334	334	334	334	334	1,670
Estimated Outlays	24	116	203	289	316	948
<b>Title VII - Research, Extension, and Related Matters</b>						
Estimated Authorization Level	2,692	2,716	2,742	2,768	2,794	13,711
Estimated Outlays	1,374	2,166	2,724	2,750	2,776	11,790
<b>Title VIII - Forestry</b>						
Estimated Authorization Level	87	87	87	87	87	436
Estimated Outlays	39	61	75	83	87	345
<b>Title IX - Energy</b>						
Estimated Authorization Level	271	271	271	271	271	1,355
Estimated Outlays	67	148	206	248	268	936
<b>Title X - Horticulture</b>						
Estimated Authorization Level	36	36	36	36	36	180
Estimated Outlays	25	33	36	36	36	166
<b>Title XII - Miscellaneous</b>						
Estimated Authorization Level	76	71	71	71	71	360
Estimated Outlays	41	61	72	71	71	316
<b>Total Changes<sup>1</sup></b>						
Estimated Authorization Level	6,602	6,507	6,555	6,596	6,638	32,898
Estimated Outlays	3,019	5,176	6,184	6,465	6,598	27,442

Source: Congressional Budget Office.

Note: Components may not sum to totals because of rounding.

1. CBO estimates that implementing the bill would cost \$33.3 billion over the 2014-2023 period.

**Table 4. CBO Estimate of the Statutory Pay-As-You-Go Effects for H.R. 1947, the Federal Agriculture Reform and Risk Management Act of 2013, as Ordered Reported as Reported by the House Committee on Agriculture on May 15, 2013**

	By Fiscal Year, in Millions of Dollars												
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT</b>													
Statutory Pay-As-You-Go Impact	0	578	-4,717	-3,106	-3,117	-3,121	-3,769	-3,892	-3,958	-4,108	-4,188	-13,482	-33,397
<b>Memorandum:</b>													
Changes in Outlays	0	578	-4,715	-3,101	-3,112	-3,115	-3,763	-3,884	-3,950	-4,096	-4,176	-13,464	-33,333
Changes in Revenues	0	0	2	5	5	6	6	8	8	12	12	18	64