

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 24, 2012

S. 3240 Agriculture Reform, Food, and Jobs Act of 2012

As introduced in the United States Senate on May 24, 2012

SUMMARY

This legislation would amend and extend a number of major programs administered by the U.S. Department of Agriculture (USDA), including those addressing farm income support, food and nutrition, land conservation, trade promotion, rural development, research, forestry, energy, horticulture, and crop insurance.

When combined with estimated spending under CBO's baseline projections for those programs, CBO estimates that enacting the Agriculture Reform, Food, and Jobs Act of 2012 would bring total direct spending for those USDA programs to \$969 billion over the 2013-2022 period—\$23.6 billion less than we project would be spent if those programs were continued as under current law.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending. Enacting the bill would not affect revenues.

The bill also would authorize appropriations over the 2013-2017 period for existing and new USDA programs involving research and education, nutrition, trade promotion, rural development, credit assistance, forestry, and conservation initiatives. CBO estimates that implementing those provisions would cost about \$28 billion over the next five years, assuming appropriation of the necessary amounts.

The bill contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA).

The bill would impose private-sector mandates, as defined in UMRA, on entities in the dairy industry. Because the cost of some of the mandates would depend on future regulations, CBO cannot determine whether the aggregate cost of the mandates would exceed the annual threshold established in UMRA for private-sector mandates (\$146 million in 2012, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the Agriculture Reform, Food, and Jobs Act of 2012 is shown in Table 1. The costs of this legislation fall within budget functions 150 (international affairs), 270 (energy), 300 (natural resources and environment), 350 (agriculture), 450 (community and regional development), and 600 (income security).

TABLE 1. SUMMARY OF ESTIMATED BUDGETARY EFFECTS OF THE AGRICULTURE REFORM, FOOD, AND JOBS ACT OF 2012

				В	y Fiscal	Year, in	Millions	of Doll	ars			
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013- 2017	2013- 2022
		CI	HANGE	S IN DI	RECT S	SPENDI	NG					
Estimated Budget Authority Estimated Outlays		-1,352 -2,092	,	,	,	,	,	,	,	,	,	,
•	CHAN	GES IN	SPEND	ING SU	ВЈЕСТ	TO AP	PROPR	IATION	N			
Estimated Authorization Level Estimated Outlays	6,697 2,776		7,243 6,475	7,291 6,954	7,335 7,185	1,238 4,619	627 2,415	638 1,157	650 811		35,771 28,446	,

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

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted around the end of fiscal year 2012. The legislation would provide direct spending authority for most of the USDA programs authorized, amended, or created by the legislation through the 2013-2017 period. Following the baseline projection rules of section 257 of the Balanced Budget and Emergency Deficit Control Act, CBO estimates the 10-year costs of the bill by assuming that most of those programs continue to operate beyond that five-year authorization period.

The following sections describe the major budgetary effects of each title of the bill, including changes in direct spending for mandatory programs and changes in spending that are subject to future appropriation for discretionary programs.

Direct Spending

CBO's estimates of the changes in direct spending that would result from enacting the legislation are presented in Table 2. All estimates are relative to CBO's March 2012 baseline projections for spending by mandatory agriculture programs. That baseline assumes that the agriculture programs authorized by the most recent farm bill (Public Law 110-246) continue to operate beyond their statutory expiration dates through 2022. (The 2008 farm bill established authorizations through 2012 for most such programs.)

TABLE 2. ESTIMATED EFFECTS ON DIRECT SPENDING FROM THE AGRICULTURE REFORM, FOOD, AND JOBS ACT OF 2012

				В	y Fiscal `	Year, in 1	Millions	of Dolla	rs			
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013- 2017	2013- 2022
	C	HANGE	ES IN O	UTLAYS	S FROM	DIREC	T SPEN	DING				
Title I – Commodity Programs End Direct Payments	s 0	-4,958	-4,958	-4,958	-4,958	-4,958	-4,958	-4,958	-4,958	-4,958	-19,832	-44,622
End Countercyclical Payments	0	0	-101	-127	-121	-123	-130	-137	-134	-135	-349	-1,008
End Average Crop Revenue	e											
Elections Payments	0	0	-863	-637	-470	-479	-452	-547	-632	-533	-1,970	-4,613
Agriculture Risk Coverage	0	2,906	2,954	3,447	3,444	2,951	3,101	3,118	3,282	3,333	12,751	28,536
Dairy Program Supplemental Agriculture	-31	-45	-42	-32	9	15	-6	19	45	9	-141	-59
Disaster Assistance Other Commodity	184	220	179	176	181	180	180	182	186	190	940	1,858
Provisions	65	35	2	2	4	3	3	3	3	4	108	124
Subtotal, Title I	218	-1,842	-2,829	-2,129	-1,911	-2,411	$\frac{3}{-2,262}$	-2,320	-2,208	-2,090	-8,492	-19,782
Title II - Conservation Conservation Reserve												
Program Conservation	27	25	-399	-438	-531	-523	-512	-478	-497	-469	-1,316	-3,795
Stewardship Environmental Quality	-7	-50	-93	-129	-173	-221	-264	-307	-350	-393	-452	-1,987
Incentives Program Agricultural Conservation	-59	-90	-85	-92	-101	-111	-121	-105	-100	-100	-427	-964
Easement	-146	-60	173	283	210	111	73	61	51	53	460	809
Regional Conservation Partnership	-3	-7	-8	-8	-10	-10	-10	-10	-10	-10	-36	-86
Other Conservation	168	18	18	18	18	10	10	10	10	10	240	290
Repeal of Wildlife Habitat Incentives	10	37	17	57	66	76	95	95	95	95	225	641
Subtotal, Title II	<u>-18</u> -38	- <u>37</u> -201	<u>-47</u> -441	<u>-57</u> -423	<u>-66</u> -653	<u>-76</u> -820	<u>-85</u> -909	<u>-85</u> -914	<u>-85</u> -981	<u>-85</u> -994	<u>-225</u> -1,756	-6,374
Title IV - Nutrition	0	120	520	540	540	5.40	550	550	550	5(0	1 740	4 400
Utility Allowances	0	-130	-530	-540	-540	-540	-550	-550	-550	-560	,	-4,490
Grant Programs Commodity Purchasing	39 15	49 15	49 15	44	49 15	24 15	24 15	24	24 15	24 15	228 75	345 150
Retailer Equipment	-7	-8	-8	15 -8	-8	-8	-8	15 -8	-8	-8	-39	-79
Expiring Provisions	33	-0 20	-0 25	-o 23	-0 15	-0 15	-o 15	-o 15	-o 15	-o 15	125	200
Subtotal, Title IV	80	<u>-46</u>	$\frac{25}{-450}$	-467	-470	<u>-13</u>	-505	-505	-505	<u>-515</u>	-1,352	
Title VII – Research, Extension and Related Matters	on,											
Organic Agriculture												
Research and Extension	. 8	13	16	16	16	8	3	0	0	0	69	80
Specialty Crop Research Beginning Farmer and	13	23	29	48	50	53	50	50	50	50	163	416
Rancher Development Foundation for Food and	13	13	15	10	0	0	0	0	0	0	51	51
Agriculture Research	10	<u>20</u>	20	30	<u>20</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	100	100
Subtotal, Title VII	44	69	80	104	86	6 <u>0</u>	53	5 <u>0</u>	50	5 <u>0</u>	383	647
Title VIII – Forestry	0	1	1	1	1	1	1	1	1	1	4	9

3

TABLE 2. Continued

]	By Fisca	l Year, in	Million	s of Doll	ars			
	2013	2014	2015		-					1 2022	2013- 2017	2013- 2022
Title IX – Energy Biorefinery Assistance	5	32	50	55	44	20	10	0	0	0	186	216
Rural Energy for America Program Biomass Research and	10	30	42	48	48	38	20	4	0	0	178	240
Development Development	1	5	16	25	26	25	21	10	1	0	73	130
Biomass Ĉrop Assistance	4		20	27	31	29	23	16	8	4	94	174
Other Energy Programs Subtotal, Title IX	<u>-2</u> 18	<u>-1</u> 78	12 140	<u>6</u> 161	<u>4</u> 153	1 113	$\frac{0}{74}$	$\frac{0}{30}$	<u>0</u> 9	<u>0</u> 4	<u>19</u> 550	<u>20</u> 780
Title X – Horticulture Farmers Market and Local Food Promotion	20	20	20	20	20	0	0	0	0	0	100	100
National Clean Plant Network Specialty Crop Block	3	6	8	9	11	13	14	15	15	15	37	109
Grants	8	14	15	15	15	15	15	15	15	15	67	142
Other Horticulture			2	2	2	0	0	0	0		9	9
Subtotal, Title X	$\frac{1}{32}$	42	45	46	48	28	29	30	30	$\frac{0}{30}$	213	360
Title XI – Crop Insurance Supplemental Coverage												
Option	0	32	306	354	345	385	382	395	404	398	1,037	3,001
CAT Premiums	0	-5	-45	-53	-54	-54	-55	-56	-57	-58	-157	-437
Enterprise Units	0		50	59	60	62	65	67	68	70	174	506
Adjustment in APH Yields Stacked Income			26	53	82	111	139	146	147	149	163	855
Protection for Cotton Peanut Revenue Crop	0		263	334	315	417	463	481	473	478	912	3,224
Insurance Beginning Farmer	0		26	30	30	30	30	30	30	30	89	239
Provisions Crop Production on	0	2	16	20	21	25	27	27	27	28	59	193
Native Sod Participation Effects of	0	-1	-6	-13	-19	-25	-26	-26	-26	-26	-39	-168
Commodity Programs Other Crop Insurance	-23	-220	-260	-294	-296	-263	-268	-272	-284	-289	-1,093	-2,469
Provisions Subtotal, Title XI	<u>9</u> -14	<u>30</u> -152	38 414	3 <u>8</u> 528	3 <u>8</u> 522	16 704	1 758	<u>-9</u> 783	<u>-10</u> 772	<u>-10</u> 770	1 <u>53</u> 1,298	5,084
Title XII – Miscellaneous Outreach for Socially Disadvantaged												
Farmers	3	4	5	5	5	2	1	0	0	0	22	25
Sheep Production and Marketing Grant Noninsured Crop	1	1	0	0	0	0	0	0	0	0	2	2
Disaster Assistance Subtotal, Title XII	<u>-5</u> -1	<u>-45</u> -40	<u>-52</u> -47	<u>-52</u> -47	<u>-52</u> -47	<u>-52</u> -50	<u>-52</u> -51	<u>-52</u> -52	<u>-52</u> -52	<u>-52</u> -52	<u>-206</u> -182	<u>-466</u> -439
Total Changes	338	-2,092	-3,087			-2,869				-2,795		-23,593

Note: CAT = Catastrophic Crop Insurance; APH = Average Producer History. Components may not sum to totals because of rounding.

Title I: Commodity Programs. Title I would repeal most current agricultural price and income support programs for crop and dairy producers. It would authorize new revenue protection programs for those producers, reauthorize price support loan programs for crop producers, and reauthorize agricultural disaster assistance programs for livestock producers. Under the bill, we estimate that federal spending on commodity programs would total \$43.2 billion over the 2013-2022 period—or \$19.8 billion less than expected if current law were continued.

End Current Commodity Programs. Title I would end:

- Direct payments made to producers based on historical acres and yields using fixed payment rates not affected by market prices;
- Countercyclical payments made to producers based on historical acres and yields using payment rates partly determined by market prices; and
- Average Crop Revenue Election payments made to producers based on any shortfall in actual revenue received by the producer compared to the expected revenue.

Each of those programs will expire after 2012 but are assumed to continue in the CBO baseline. Ending those three programs would reduce spending on commodity programs, compared to the CBO baseline, by \$50.2 billion over the 2013-2022 period.

Agriculture Risk Coverage. The commodity programs ended under the bill would be replaced by a new Agriculture Risk Coverage (ARC) program. Under ARC, producers would receive a payment from the federal government to compensate them for any difference between the revenue they receive from selling their crop and the revenue the government expected the producer to receive using a calculation specified in the bill. USDA would calculate the expected revenue using formulas specified in the bill, using methods partly dependent on the producer's choices, and providing for certain guaranteed minimum payments. This program would apply to all major crops other than upland cotton. CBO estimates that spending for the new ARC program would total \$28.5 billion over the 2013-2022 period. CBO estimates that ARC payments would average \$3.2 billion per year; however, actual payments from year to year would probably vary considerably from that expected average payment.

Dairy Program. Subtitle D would replace current government support programs for dairy producers—Dairy Product Price Support, Milk Income Loss Contract Payments, and Dairy Export Incentives Program—with a new Dairy Production Margin Protection Program (DPMPP) and a Dairy Market Stabilization Program (DMSP). CBO estimates that the new dairy provisions would cost \$291 million over the 2013-2022 period. However, that cost would be more than offset by repealing the current dairy programs. CBO estimates that enacting the dairy provisions in this subtitle would result in a net savings of \$59 million

over the 2013-2022 period. CBO expects actual payments from the new dairy program that would be established by the bill would be much higher or lower from year to year than the average payments presented in this estimate.

Supplemental Agriculture Disaster Assistance. The bill would reauthorize four disaster assistance programs for livestock and tree-crop producers. Those programs include the Livestock Indemnity Program; Livestock Forage Program; Emergency Assistance for Livestock; and Honey Bees, Farm-raised Fish, and Tree Assistance. CBO estimates that continuing those programs would cost almost \$1.9 billion more than the amounts in CBO's baseline for the 2013-2022 period.

Other Commodity Provisions. The bill also would reauthorize commodity loan programs, make popcorn an eligible crop for program benefits, establish new limits for ARC and livestock disaster payments, and provide \$100 million to USDA for administrative costs to implement the new programs. CBO estimates that those provisions would have a net cost of \$124 million over the 2013-2022 period.

Title II: Conservation. Title II would amend USDA's land conservation programs that are authorized to expend funds from the Commodity Credit Corporation (CCC). Under the bill, CBO estimates that spending on land conservation programs would total \$57.7 billion over the 2013-2022 period—or about \$6.4 billion less than expected under a continuation of current law. Significant changes to USDA's conservation programs include:

- Reducing the maximum acreage eligible for the Conservation Reserve Program each year from 32 million acres to 25 million acres by 2017. CBO estimates that this provision would reduce future spending by \$3.8 billion.
- Reducing maximum annual enrollment in the Conservation Stewardship Program from 12.769 million acres to 10.348 million acres. CBO estimates that provision would reduce direct spending by \$2.0 billion over the 2013-2022 period.
- Reducing spending for the Environmental Quality Incentives Program by \$964 million over the 2013-2022 period.
- Establishing a new Agricultural Conservation Easement Program to replace the Wetlands Reserve Program, Grasslands Reserve Program, Farmland Protection Program, and Farm Viability Program. CBO estimates that the new program would cost \$809 million more than the amounts assumed in the CBO baseline for those existing programs over the 2013-2022 period.
- Establishing a new Regional Conservation Partnership Program that would combine the Agricultural Water Enhancement Program, the Chesapeake Bay Watershed Program, the Cooperative Conservation Partnership Initiative, and the

Great Lakes Basin Program. CBO estimates that the new program would cost \$86 million less than continuing the existing programs over the 2013-2022 period.

- Continuing funding for several other conservation programs, such as the Voluntary Public Access and Habitat Incentives Program and Terminal Lakes Assistance. CBO estimates that those provisions would cost \$290 million more than the amounts in CBO's baseline for the 2013-2022 period.
- Repealing the Wildlife Habitat Incentives Program, CBO estimates that ending this program would reduce spending by \$641 million relative to continuing to operate it over the 2013-2022 period.

Title III: Trade. The bill would amend the trade promotion and food assistance programs administered by USDA and the U.S. Agency for International Development (USAID). It would extend the authorized funding levels through 2017 for the:

- Export Credit Guarantee Program,
- Market Access Program,
- Foreign Market Development Program,
- Food for Progress Program, and
- Several technical assistance programs for specialty crops and emerging markets.

Because CBO's baseline assumes that those trade programs continue to operate beyond their scheduled expiration dates, we estimate that the provisions in title III would not change the cost of those programs, which we estimate will total \$3.4 billion over the 2013-2022 period.

Title IV: Nutrition. The legislation would extend spending authority for the Supplemental Nutrition Assistance Program (SNAP) and other nutrition assistance programs and change how those programs operate. In total, CBO estimates that enacting the provisions in title IV would cost \$768.2 billion—\$3.9 billion less than expected under the baseline for the 2013-2022 period.

Utility Allowances. Under current law, households qualify for a Heating and Cooling Standard Utility Allowance (HCSUA) if they provide proof that they pay heating or cooling expenses or receive any assistance through the Low-Income Home Energy Assistance Program (LIHEAP). The bill would eliminate the automatic qualification for those allowances for households who receive less than \$10 each year in energy assistance, beginning in fiscal year 2014. (States would have the option to delay implementation for six months for current recipients.) The value of the HCSUA is used, along with other factors, to determine the amount of housing expenses that households can deduct from their income.

Some states send nominal LIHEAP benefits (typically between \$1 and \$5, and typically only once per year) to SNAP participants to automatically qualify them for the utility allowance. Based on discussions with states, CBO assumes that some states would continue to send LIHEAP benefits that meet the \$10 minimum qualification to some SNAP participants, but others would discontinue that practice. CBO estimates that under this provision, nearly 500,000 households each year would have their SNAP benefits reduced by an average of \$90 per month. In total, CBO estimates that enacting this provision would reduce direct spending by about \$4.5 billion over the 2013-2022 period.

Grant Programs. Enacting the legislation would cost \$345 million over the 2013-2022 period for several new and existing grant programs and other nutrition-related activities:

- The bill would provide \$18.5 million per year for USDA to pursue activities to prevent trafficking of SNAP benefits, at a total cost of \$185 million over the 10-year period.
- The bill would provide a total of \$100 million over the 2013-2017 period to fund demonstration projects designed to increase purchases of fruits and vegetables among SNAP recipients. USDA received \$5 million in fiscal year 2010 for those grants.
- The bill would provide an additional \$5 million each year for community food projects for a total cost of \$50 million over the 2013-2022 period. Under current law, the Department of Agriculture spends \$5 million per year for those projects.
- The bill would provide \$10 million in fiscal year 2014 for the purchase of whole grain products for the National School Lunch Program and the School Breakfast Program.

Commodity Purchasing. The bill would allow the Department of Agriculture to consider the needs of states and emergency feeding organizations when making commodity purchases through the Commodity Credit Corporation and the funds for Strengthening Markets, Income and Supply Account, also known as section 32. (Section 32 funds are used to support domestic agriculture in a number of ways, including the purchase of commodities for the National School Lunch Program.) Currently, commodity purchases are authorized primarily for the stabilization of market conditions; CBO assumes that the proposed new authority to consider need would result in additional purchases. Based on current and historical spending on commodities, CBO estimates that this provision would increase spending by \$150 million over the 2013-2022 period. (This estimate takes into account the increase in funding for The Emergency Food Assistance Program, described below.)

Retailer Equipment. All SNAP recipients use an electronic benefit transfer (EBT) card to pay for food. Under current law, retail food stores may request a point-of-sale terminal that accepts EBT cards. (Most larger grocery stores use their existing debit/credit card machines and program them to also accept EBT cards.) The cost of leasing this equipment from the state's EBT contractor is split between states and the federal government. The bill would require all retailers to assume the full cost of the equipment. Based on data from the USDA Food and Nutrition Service, CBO estimates that eliminating the federal share of those costs would reduce direct spending by \$79 million over the 2013-2022 period.

Expiring Provisions. The bill would reauthorize SNAP, which includes funding of The Emergency Food Assistance Program (TEFAP) and the Senior Farmers Market Nutrition Program, through 2017. Pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, those extensions are assumed in CBO's current baseline projections and have no cost relative to that baseline. Under the assumptions underlying CBO's March 2012 baseline projections, we estimate that extending SNAP for the five-year period from 2013 through 2017 would result in outlays of almost \$370 billion over that period (including \$1.4 billion for TEFAP) and that extending the Senior Farmers Market Nutrition Program would result in outlays of \$103 million.

In addition to reauthorizing those programs, the bill would expand them. CBO estimates that those expansions would increase direct spending by \$200 million over the 2013-2022 period. One such expansion is to increase funding for commodity purchases made through TEFAP. The commodities are distributed by states to local organizations, including food banks and shelters. That provision would increase direct spending for the program above baseline levels by \$150 million over the 2013-2022 period.

The agriculture appropriations for fiscal year 2012 (Public Law 112-55) included a reduction in funding for SNAP employment and training funding. Under baseline construction rules in law, any expiring program is extended in the baseline as it was operating in its last year of authorization. As a result, the reduction in funding was extended in the baseline. The bill would restore employment and training funding to the \$90 million per year previously specified in the Food and Nutrition Act. CBO estimates that this restoration would increase direct spending by \$50 million over the 2013-2022 period.

Other provisions in title IV would reduce costs in SNAP by less than \$500,000 over the 2013-2022 period:

• The bill would make households automatically ineligible for SNAP if a member of that household receives substantial lottery or gambling winnings.

• The bill would allow the Secretary of Agriculture to impose new restrictions on states that carry out programs to allow certain SNAP recipients to purchase meals at restaurants.

Titles V and VI: Farm Credit Programs and Rural Development Credit Programs.

The bill would reorganize the statutory provisions governing the farm and rural development credit programs administered by USDA. CBO estimates that those changes would not affect direct spending for the farm and rural development credit programs relative to the baseline. We estimate that such spending would result in receipts of \$2.7 billion over the 2013-2022 period using the approach to estimating the budgetary cost of credit programs specified for the Federal Credit Reform Act.

Title VII: Research, Extension, and Related Matters. Under the bill, CBO estimates that spending on agriculture research, extension activities, and related efforts would total \$860 million—an increase of \$647 million above estimated expenses under the baseline over the 2013-2022 period. Programs authorized by this title include the:

- Organic Agriculture Research and Extension Initiative;
- Specialty Crop Research Initiative;
- Beginning Farmer and Rancher Development Program; and
- Foundation for Food and Agriculture Research.

Title VIII: Forestry. Title VIII would permanently authorize the Forest Service to enter into special contracts known as stewardship contracts. Under those contracts, the Forest Service and the Department of the Interior use timber resources owned by the government in lieu of cash to compensate firms that provide certain services related to forest management. Under current law, stewardship contracting authority will expire in 2013. Because CBO expects that some of the timber that would be used as compensation under stewardship contracts would be sold under current law, we estimate that enacting this provision would reduce net offsetting receipts by \$1 million a year over the 2014-2022 period. Thus, enacting this provision would cost \$9 million over the next 10 years.

Title IX: Energy. Under the bill, CBO estimates that spending on the energy programs covered in the legislation would total \$1.5 billion—an increase of \$780 million over the 2013-2022 period above estimated expenses for those programs under the baseline. The bill would provide mandatory funds for rural energy programs, including:

• \$216 million for grants and loan guarantees to individuals, state and local governments, cooperatives, and other entities to fund the development, construction, and retrofitting of demonstration- and commercial-scale biorefineries;

- \$240 million for grants and loan guarantees to state and local governments, rural electric cooperatives, and other entities to perform energy audits, purchase renewable energy systems, and improve energy efficiency;
- \$130 million for the Secretaries of Agriculture and Energy to coordinate policies and procedures that promote research and development regarding the production of biofuels and biobased products;
- \$174 million for extending the Biomass Crop Assistance Program to encourage producers to grow biomass crops and to cover a portion of the cost to transport biomass products to facilities that would convert those products into energy; and
- \$20 million for various other energy programs.

Title X: Horticulture. Under the bill, CBO estimates that spending for horticulture programs would total \$1.4 billion over the 2013-2022 period—about \$360 million more than the expected cost of continuing those programs as under current law. Programs authorized by the bill include:

- Farmers Market and Local Food Promotion Program;
- National Clean Plant Network;
- Specialty Crop Block Grants; and
- A variety of other smaller programs.

Title XI: Crop Insurance. Under the bill, CBO estimates that spending on federal crop insurance programs would total \$94.6 billion over the 2013-2022 period—about \$5.1 billion more than we expect would be spent if those programs were continued as under current law.

Supplemental Coverage Option. Beginning with the 2014 crops, the Supplemental Coverage Option (SCO) authorized in section 11001 would allow farmers to combine farm-level crop insurance coverage with crop insurance based on county-level coverage. This option would be subject to a deductible of 21 percent of expected revenue for farmers participating in the Agricultural Risk Coverage program or 10 percent of expected revenue for farmers not participating in the ARC program. USDA would pay 70 percent of the premium for the SCO policy.

Section 11001 also would authorize USDA to develop and offer profit-margin insurance policies, which would cover the difference between farmers' receipts and costs of production. CBO estimates that implementing the supplemental coverage and margin insurance provisions would cost \$3 billion over the 2013-2022 period.

Reducing Premiums for CAT. Section 11002 would require USDA to reduce the premium for crop insurance protection against catastrophic losses (known as CAT coverage). This change in premiums would reduce government costs because the amounts paid by USDA to private insurance companies for delivering crop insurance are based on that premium. CBO estimates that reducing the premium for CAT coverage would save \$437 million over the 2013-2022 period.

Enterprise Units for Irrigated and Nonirrigated Crops. Farmers who choose to buy crop insurance for a particular crop must buy insurance on all of the acres of that crop that they grow in the county. However, farmers may divide their cropland into separate units so that if one unit has a loss and the others do not, the loss is paid on the unit with a loss regardless of the production from other units. (Dividing cropland into separate units increases the likelihood of being paid for a loss but also increases the premium the farmer pays for the insurance.) Section 11004 would allow farmers to separate irrigated and nonirrigated farmland into different units without an increase in their premiums. CBO estimates that this change would cost \$506 million over the 2013-2022 period.

Adjustments in APH Yields. Crop insurance benefits are generally based on a farmer's actual production history (APH). Under the program rules, however, the actual yields for any years with unusually low yields can be replaced with a "yield plug" equal to 60 percent of the average crop yield in the county where the insurance is purchased. Section 11006 would increase the "yield plug" from 60 percent to 70 percent for years of unusually low yields after 2012. CBO estimates that the change would cost \$855 million over the 2013-2022 period.

Stacked Income Protection for Cotton. The bill would establish a new Stacked Income Protection Plan (STAX). Based on information from USDA, CBO expects that STAX could not be offered before the 2014 crop of upland cotton has been produced. Under STAX, upland cotton producers would be eligible to purchase a crop insurance policy for revenue losses of between 10 percent and 30 percent of the expected revenue from cotton crops in the county. USDA would pay 80 percent of the premium of the STAX policy. CBO estimates that STAX would cost \$3.2 billion over the 2013-2022 period.

Peanut Revenue Crop Insurance. Section 11012 would establish a revenue crop insurance program for peanuts. CBO estimates that this program would cost \$239 million over the 2013-2022 period.

Beginning Farmer Provisions. Section 11023 would reduce fees, raise premium subsidies, and allow for adjustments in the actual production histories of beginning farmers, which would increase insurance guarantees and government costs for insuring beginning farmers. CBO estimates that change would cost \$193 million over the 2013-2022 period.

Crop Production on Native Sod. Section 11025 would limit commodity program payments and benefits under the crop insurance and the Noninsured Assistance Program to farmers who convert native sod (rangeland that has never been cultivated) to cropland. CBO estimates that change would save \$168 million over the 2013-2022 period.

Participation Effects of Commodity Programs. Because title I would replace direct payments and countercyclical payments with a new revenue protection program, CBO expects that producers would reduce their participation in the crop insurance program. CBO estimates that reduction in crop insurance participation would save almost \$2.5 billion over the 2013-2022 period.

Other Crop Insurance Provisions. Other provisions in title XI would require USDA to increase funding for the Agricultural Management Assistance Program (section 11024), establish index-based weather insurance (section 11021), and provide funding for implementation (section 11014). In total, CBO estimates that those provisions would increase outlays by \$141 million over the 2013-2022 period.

Title XII: Miscellaneous. Title XII would reauthorize CCC spending for outreach and assistance for socially disadvantaged and veteran farmers and ranchers, at a cost of \$25 million over the period 2013-2022, and provide \$1.5 million in 2013 for the sheep production and marketing grant program, to be available until expended. In addition, the bill would allow farmers to purchase higher levels of insurance coverage under the Noninsured Assistance Program and make forage and certain specialty crops no longer eligible for assistance under the program. CBO estimates that those changes would save \$466 million over the 10-year period.

Spending Subject to Appropriation

CBO estimates that implementing the provisions of the Agriculture Reform, Food, and Jobs Act of 2012 that authorize appropriations would cost \$28.4 billion over the 2013-2017 period, assuming appropriation of the necessary funds. Those discretionary costs are displayed in Table 3 and described in further detail below.

Title I: Commodity Programs. Section 1605 would reauthorize the Geographically Disadvantaged Farmers and Ranchers Program to reimburse such producers for certain transportation costs. Based on amounts provided in recent years, CBO estimates that implementing this provision would cost \$24 million over five years.

Title II: Conservation. CBO estimates that implementing the discretionary programs authorized by title II would cost \$535 million over the 2013-2017 period. That amount includes \$291 million for rehabilitating small watersheds, \$146 million for conserving private grazing land, \$73 million for protecting grassroots source water, and \$25 million to provide water for certain terminal lakes.

TABLE 3. ESTIMATED EFFECTS ON DISCRETIONARY SPENDING FROM IMPLEMENTING THE AGRICULTURE REFORM, FOOD, AND JOBS ACT OF 2012

		By Fi	scal Year, in	Millions of I	Oollars	
	2013	2014	2015	2016	2017	2013- 2017
CHANGES IN	SPENDING	SUBJECT T	O APPROP	RIATION		
Title I – Commodity Programs						
Estimated Authorization Level	5	5	5	5	5	25
Estimated Outlays	4	5	5	5	5	24
Title II - Conservation						
Estimated Authorization Level	155	130	130	130	130	67:
Estimated Outlays	72	92	114	127	130	535
Title III - Trade						
Estimated Authorization Level	2,124	2,751	2,754	2,757	2,761	13,146
Estimated Outlays	805	1,967	2,492	2,653	2,719	10,636
Title IV – Nutrition						
Estimated Authorization Level	308	181	183	187	189	1,048
Estimated Outlays	292	181	183	186	189	1,03
Title V – Credit						
Estimated Authorization Level	91	91	91	99	99	47
Estimated Outlays	84	91	91	98	99	463
Title VI – Rural Development						
Estimated Authorization Level	1,115	1,123	1,132	1,139	1,151	5,660
Estimated Outlays	156	522	807	975	1,060	3,520
Title VII – Research, Extension, and						
Related Matters						
Estimated Authorization Level	2,053	2,077	2,103	2,129	2,155	10,516
Estimated Outlays	1,050	1,656	2,085	2,111	2,137	9,039
Title VIII – Forestry						
Estimated Authorization Level	490	490	490	490	490	2,449
Estimated Outlays	220	343	416	465	490	1,93
Γitle IX – Energy						
Estimated Authorization Level	228	228	228	228	228	1,140
Estimated Outlays	29	96	160	205	228	718
Γitle X – Horticulture						
Estimated Authorization Level	50	50	50	50	50	250
Estimated Outlays	35	47	50	50	50	231

14

TABLE 3. Continued

		By Fi	scal Year, in	Millions of I	Oollars	
	2013	2014	2015	2016	2017	2013- 2017
Title XII – Miscellaneous						
Estimated Authorization Level	78	78	78	78	78	390
Estimated Outlays	30	56	72	78	78	314
Total Changes						
Estimated Authorization Level	6,697	7,204	7,243	7,291	7,335	35,771
Estimated Outlays	2,776	5,056	6,475	6,954	7,185	28,446

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

Title III: Trade. CBO estimates that implementing title III would cost \$10.6 billion over the 2013-2017 period, assuming appropriation of the necessary amounts. Major components of that total are described below.

Public Law 480. The Agricultural Trade Development and Assistance Act of 1954, typically referred to as Public Law 480, established a variety of programs to provide food assistance to countries around the world. Section 3010 of the bill would extend the expiring authorities for title II of Public Law 480 (emergency and nonemergency food assistance programs) through 2017. Current law authorizes the appropriation of \$2.5 billion each year for those programs. Funding for title II programs, as set in annual appropriations legislation, has remained around \$1.5 billion in recent years. While section 3010 also would extend the authority for title I (Trade and Economic Development Assistance) and title III (Food for Development) of Public Law 480, those programs have received no new funding in recent years. CBO estimates that implementing section 3010 would cost \$9.4 billion over the 2013-2017 period.

McGovern-Dole International Food for Education and Child Nutrition Program. The bill would reauthorize the appropriation of funds for the McGovern-Dole program through 2017. Funding for this program is used to purchase commodities and donate them overseas in support of infant and school feeding programs. Adjusting for anticipated inflation and based on historical spending patterns for this program, CBO estimates that implementing this provision would cost \$932 million over the 2013-2017 period.

Global Crop Diversity Trust. Section 3206 would reauthorize funding to help promote the conservation of food crops. This provision would authorize the appropriation of

\$60 million over the 2013-2017 period, and CBO estimates that implementing it would cost \$60 million over that period.

Local and Regional Food Aid Procurement Projects. Section 3207 would authorize the appropriation of funds to purchase commodities in local and regional markets in support of food aid programs. Practically all U.S. international food aid is provided currently in the form of commodity shipments. This provision would authorize the appropriation of \$40 million annually over the 2013-2017 period. CBO estimates that implementing section 3207 would cost \$194 million over the five-year period.

Donald Payne Horn of Africa Food Resilience Program. Section 3208 would authorize the appropriation of funds to carry out programs designed to integrate emergency and long-term development programs in countries located in the Horn of Africa. This provision would authorize the appropriation of \$10 million annually over the 2013-2017 period. CBO estimates that implementing section 3208 would cost \$49 million over the five-year period.

Title IV: Nutrition. CBO estimates that implementing the discretionary provisions of title IV would cost about \$1 billion over the 2013-2017 period, assuming appropriation of the necessary amounts.

Commodity Supplemental Food Program. The bill would reauthorize through 2017 and modify the Commodity Supplemental Food Program (CSFP). The program currently provides food packages to low-income elderly people, pregnant and postpartum women, and young children. Under the bill, only low-income people aged 60 or older could receive benefits. CBO estimates that this change would reduce costs in the program by about 3 percent per year. The CSFP received an appropriation of \$177 million in fiscal year 2012. Because the program expires at the end of 2012, CBO estimates that implementing this provision would cost \$881 million over the 2013-2017 period, assuming the appropriation of the necessary amounts.

Healthy Food Financing Initiative. The bill would authorize the appropriation of \$125 million for an initiative to improve access to healthy food. The funds would be used by a community development financial institution to provide loans, grants, and technical assistance for projects to maintain or increase the number of retail outlets that offer staple foods in underserved areas.

Hunger-Free Communities Grants. The bill would authorize the appropriation of \$5 million per year for 2013 through 2017 for a hunger-free communities grant program to increase fruit and vegetable consumption. This authority would be in addition to the \$100 million in mandatory funds provided over that period for the same purpose.

Title V: Credit. CBO estimates that implementing title V would cost \$463 million over the 2013-2017 period, assuming appropriation of the necessary amounts. Components of that total are described below.

Authorization of Appropriations and Allocation of Funds. Section 5001 would amend and extend the farm credit programs administered by USDA. CBO estimates that implementing the authorized loan levels, based on subsidy rates in 2011, would cost \$418 million over the 2013-2017 period. Section 5001 also would reauthorize the conservation loan program and grants to farmers with individual development savings accounts. CBO estimates that implementing the conservation loan program and the individual development accounts would cost \$30 million over the next five years.

State Agricultural Mediation Programs. Section 5002 would extend the authorization for appropriations to State Agricultural Mediation Programs for two years, from 2015 to 2017, and would cost \$15 million over the 2013-2017 period.

Title VI: Rural Development. Title VI would reauthorize a number of rural development programs, including grants and other financial assistance for infrastructure improvement, business investment, and regional development. The title also would establish a revolving loan program for projects addressing rural energy savings. CBO estimates that spending for those programs would total \$3.5 billion over the 2013-2017 period, assuming appropriation of amounts specified and estimated to be necessary. This estimate reflects historical expenditure patterns for similar rural development activities of USDA.

Title VII: Research, Extension, and Related Matters. Title VII would authorize appropriations for many agricultural research and education programs and initiatives. CBO estimates that implementing this title would cost \$9.0 billion over the 2013-2017 period, assuming appropriation of the necessary amounts. About \$4.1 billion of that amount would be from funding levels specifically authorized by the legislation. Estimated funding for the other programs is based on information from USDA and on funding levels provided for the same or similar programs or initiatives in recent years.

Estimated spending over the 2013-2017 period for research programs includes:

- \$6.3 billion for basic research and extension services and for applied research in areas such as animal health, alternative crops, nutrition education, aquaculture, and rangeland;
- \$0.2 billion to upgrade agriculture and food sciences facilities at traditionally black, Native American, and Hispanic-serving facilities;
- \$1.5 billion for high-priority research and extension initiatives, such as biological applications, organic farming, specialty crops, and food protection;

- \$0.4 billion for endowments, grants, and research at Native American land-grant institutions, and for beginning farmer and rancher development; and
- \$0.6 billion for biosecurity planning, preparation, response, development of countermeasures, national products research, and for research in biomass and bioenergy.

Title VIII: Forestry. Title VIII would authorize the appropriation of \$360 million a year over the 2013-2017 period for programs established by the Cooperative Forestry Assistance Act of 1978. Those programs protect environmentally sensitive forest lands, provide technical assistance to private forest owners, and award grants to local governments to establish community forests. Title VIII also would authorize the appropriation of \$100 million a year over that period to treat forests affected by disease infestation and \$30 million a year over that period for other forestry programs. In total, CBO estimates that implementing title VIII would cost about \$1.9 billion over the 2013-2017 period, assuming appropriation of the necessary amounts.

Title IX: Energy. Title IX would authorize appropriations to provide grants and other financial assistance to develop and construct biorefineries, increase production of biofuels, increase energy efficiency, and acquire and upgrade wood energy systems. Based on historical expenditures for similar activities, CBO estimates that implementing those programs would cost \$718 million over the next five years, assuming appropriation of the specified amounts.

Title X: Horticulture. Assuming appropriation of the authorized amounts, CBO estimates that implementing title X would cost \$231 million over the 2013-2017 period to support and encourage farmers' markets and local food promotion programs, modernization and technology upgrades for the National Organic Program, specialty crop market news, and organic production and market data initiatives.

Title XII: Miscellaneous. CBO estimates that implementing title XII would cost \$314 million over the 2013-2017 period, assuming appropriation of the necessary amounts, for a variety of programs, including:

- \$95 million for outreach and assistance for socially disadvantaged and veteran farmers and ranchers;
- \$66 million for wildlife reservoir disease initiative, trichinae certification, aquatic animal health, and feral swine eradication; and
- \$153 million for regional economic and infrastructure development, safety and training of the agricultural labor force, and a military veterans agricultural liaison office in USDA.

PAY-AS-YOU-GO-CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting on-budget direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are show in the following table.

CBO Estimate of the Statutory Pay-As-You-Go Effects for S. 3240, the Agriculture Reform, Food, and Jobs Act of 2012, as introduced in the United States Senate on May 24, 2012

	By Fiscal Year, in Millions of Dollars												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012- 2017	2012- 2022
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	338	-2,092	-3,087	-2,226	-2,270	-2,869	-2,812	-2,897	-2,884	-2,795	-9,337	-23,593

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The bill contains no intergovernmental mandates as defined in UMRA. In general, state, local, and tribal governments would benefit from the continuation of existing agricultural assistance and the creation of new grant programs.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The bill would impose private-sector mandates as defined in UMRA. Specifically, the bill would:

- Expand reporting requirements on manufacturers of dairy products. Because
 manufacturers already report information about dairy products to USDA, CBO
 expects that the cost of reporting the additional information would not be
 significant.
- Impose mandates on dairy handlers that purchase milk from dairy producers participating in the Dairy Market Stabilization Program (DMSP). Under the DMSP, when producer margins fall below a designated amount, handlers would be required to report information to USDA and reduce payments for milk to participating dairy producers. In addition, the program would require handlers to pay to USDA the amount by which the payment was reduced. According to information from industry

sources, the cost for handlers to collect and report information under the DMSP could amount to hundreds of millions of dollars annually, depending on regulations to be issued by USDA.

Because the aggregate cost would depend on future regulations, CBO has no basis to determine whether the aggregate cost of the mandates in the bill would exceed the annual threshold established in UMRA for private-sector mandates (\$146 million in 2012, adjusted annually for inflation).

PREVIOUS CBO ESTIMATE

On April 23, 2012, and April 26, 2012, CBO transmitted cost estimates to the Senate Committee on Agriculture, Nutrition, and Forestry of different versions of the legislation that was eventually ordered reported by the committee on April 26, 2012. Those earlier cost estimates reflected provisions in the draft legislation that was proposed prior to the committee markup session held on April 26, 2012. CBO's new cost estimate is based on the legislative language contained in S. 3240 as introduced in the United States Senate on May 24, 2012.

CBO has revised its earlier estimates to reflect recent information provided by USDA regarding implementation of the Supplemental Coverage Option (SCO). That information clarifies that benefits under SCO would be greater for farmers who choose not to participate in the Agriculture Risk Coverage (ARC) program. Accordingly, CBO has increased the estimated percent of farmers participating in SCO, and reduced the estimated percent of farmers participating in ARC. The estimated increase in costs for SCO is slightly less than the estimated reduction in costs for ARC.

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