



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 6, 2012

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

*As passed by the United States Senate on June 21, 2012*

#### **SUMMARY**

S. 3240 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 S. 3240 would bring total direct spending for those USDA programs to \$970 billion over the 2013-2022 period—\$23.1 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 S. 3240 would not affect revenues.

The act 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 \$29 billion over the next five years, assuming appropriation of the necessary amounts.

S. 3240 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA).

The nontax provisions of S. 3240 would impose private-sector mandates, as defined in UMRA, on entities in the dairy industry and spectators of animal fighting ventures. 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 S. 3240—relative to CBO baseline projections—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 S. 3240 AS PASSED BY THE SENATE ON JUNE 21, 2012**

	By Fiscal Year, in Millions of Dollars										2013-	2013-
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2017	2022
<b>CHANGES IN DIRECT SPENDING</b>												
Estimated Budget Authority	-93	-729	-2,852	-2,253	-2,222	-2,984	-2,838	-2,918	-2,871	-2,745	-8,149	-22,504
Estimated Outlays	-24	-1,714	-2,956	-2,153	-2,209	-2,806	-2,774	-2,871	-2,870	-2,767	-9,055	-23,143
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>												
Estimated Authorization Level	6,859	7,354	7,393	7,421	7,465	1,238	627	638	650	662	36,493	40,308
Estimated Outlays	2,845	5,165	6,606	7,096	7,325	4,693	2,450	1,172	816	677	29,036	38,844

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

## BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 3240 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 S. 3240 by assuming that most of those programs continue to operate beyond that five-year authorization period.

A description of the major budgetary effects of each title of the act, including changes in direct spending for mandatory programs and changes in spending that are subject to future appropriation for discretionary programs, was provided in CBO's cost estimate for [S. 3240](#) as introduced on May 24, 2012.

### 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 FOR S. 3240 AS PASSED BY THE SENATE ON JUNE 21, 2012**

	By Fiscal Year, in Millions of Dollars											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
<b>CHANGES IN OUTLAYS FROM DIRECT SPENDING</b>												
<b>Title I – Commodity Programs</b>												
End Direct Payments	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 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	-31	-45	-42	-32	9	15	-6	19	45	9	-141	-59
Supplemental Agriculture Disaster Assistance	-2	447	217	214	221	219	219	221	225	231	1,097	2,212
Other Commodity Provisions	<u>0</u>	<u>85</u>	<u>17</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>107</u>	<u>125</u>
Subtotal, Title I	-33	-1,565	-2,776	-2,091	-1,872	-2,372	-2,222	-2,280	-2,169	-2,049	-8,336	-19,428
<b>Title II – Conservation</b>												
Conservation Reserve Program	27	25	-399	-438	-531	-523	-512	-478	-497	-469	-1,316	-3,795
Conservation Stewardship	-7	-50	-93	-129	-173	-221	-264	-307	-350	-393	-452	-1,987
Environmental Quality Incentives Program	-70	-89	-80	-92	-100	-111	-121	-101	-100	-100	-431	-964
Agricultural Conservation Easement	-222	-72	226	304	211	123	72	56	47	64	447	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	<u>-18</u>	<u>-37</u>	<u>-47</u>	<u>-57</u>	<u>-66</u>	<u>-76</u>	<u>-85</u>	<u>-85</u>	<u>-85</u>	<u>-85</u>	<u>-225</u>	<u>-641</u>
Subtotal, Title II	-125	-212	-383	-402	-651	-808	-910	-915	-985	-983	-1,775	-6,374
<b>Title IV – Nutrition</b>												
Utility Allowances	0	-130	-530	-540	-540	-540	-550	-550	-550	-560	-1,740	-4,490
Grant Programs	39	49	49	44	49	24	24	24	24	24	228	345
Retailer Equipment	-7	-8	-8	-8	-8	-8	-8	-8	-8	-8	-39	-79
Expiring Provisions	<u>33</u>	<u>-49</u>	<u>29</u>	<u>23</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>149</u>	<u>224</u>
Subtotal, Title IV	65	-41	-461	-482	-485	-510	-520	-520	-520	-530	-1,403	-4,000
<b>Title VI – Rural Development</b>												
Value-Added Marketing Grants	0	0	5	8	12	12	8	4	1	0	25	50
Rural Microenterprise Program	0	1	2	4	4	3	1	0	0	0	11	15
Rural Water and Waste Disposal	<u>0</u>	<u>3</u>	<u>14</u>	<u>13</u>	<u>7</u>	<u>6</u>	<u>5</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>37</u>	<u>50</u>
Subtotal, Title VI	0	4	21	25	23	21	14	6	1	0	73	115

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**TABLE 2. Continued**

	By Fiscal Year, in Millions of Dollars										2013-	2013-
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2017	2022
Title VII – Research, Extension, and Related Matters												
Organic Agriculture												
Research and Extension	8	13	16	16	16	8	3	0	0	0	69	80
Specialty Crop Research	13	23	29	48	50	53	50	50	50	50	163	416
Beginning Farmer and Rancher Development	4	9	14	17	17	13	8	4	0	0	60	85
Foundation for Food and Agriculture Research	<u>10</u>	<u>20</u>	<u>20</u>	<u>30</u>	<u>20</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>100</u>	<u>100</u>
Subtotal, Title VII	34	64	79	111	103	74	61	54	50	50	391	681
Title VIII – Forestry	0	1	1	1	1	1	1	1	1	1	4	9
Title IX – Energy												
Biorefinery Assistance	5	32	50	55	44	20	10	0	0	0	186	216
Rural Energy for America Program	10	30	42	48	48	38	20	4	0	0	178	240
Biomass Research and Development	1	5	16	25	26	25	21	10	1	0	73	130
Biomass Crop Assistance	4	12	20	27	31	29	23	16	8	4	94	174
Other Energy Programs	<u>-2</u>	<u>-1</u>	<u>12</u>	<u>6</u>	<u>4</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>19</u>	<u>20</u>
Subtotal, Title IX	18	78	140	161	153	113	74	30	9	4	550	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	3	6	8	9	11	13	14	15	15	15	37	109
Specialty Crop Block Grants	8	14	15	15	15	15	15	15	15	15	67	142
Other Horticulture	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9</u>	<u>9</u>
Subtotal, Title X	32	42	45	46	48	28	29	30	30	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	5	50	59	60	62	65	67	68	70	174	506
Adjustment in APH Yields	0	2	26	53	82	111	139	146	147	149	163	855
Stacked Income Protection for Cotton	0	0	263	334	315	417	463	481	473	478	912	3,224
Peanut Revenue Crop Insurance	0	3	26	30	30	30	30	30	30	30	89	239
Beginning Farmer Provisions	0	2	16	20	21	25	27	27	27	28	59	193
Crop Production on Native Sod	0	-1	-6	-13	-19	-25	-26	-26	-26	-26	-39	-168
Participation Effects of Commodity Programs	-23	-220	-260	-294	-296	-263	-268	-272	-284	-289	-1,093	-2,469
Other Crop Insurance Provisions	<u>9</u>	<u>30</u>	<u>37</u>	<u>35</u>	<u>33</u>	<u>9</u>	<u>-7</u>	<u>-17</u>	<u>-18</u>	<u>-18</u>	<u>144</u>	<u>93</u>
Subtotal, Title XI	-14	-152	413	525	517	697	750	775	764	762	1,289	5,036

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**TABLE 2. Continued.**

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	By Fiscal Year, in Millions of Dollars											2013-	2013-
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2017	2022	
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	1	1	0	0	0	0	0	0	0	0	2	2	
Noninsured Crop													
Disaster Assistance	<u>-5</u>	<u>63</u>	<u>-40</u>	<u>-52</u>	<u>-52</u>	<u>-52</u>	<u>-52</u>	<u>-52</u>	<u>-52</u>	<u>-52</u>	<u>-86</u>	<u>-346</u>	
Subtotal, Title XII	-1	68	-35	-47	-47	-50	-51	-52	-52	-52	-62	-319	
<b>Total Changes in</b>													
<b>Direct Spending</b>	<b>-24</b>	<b>-1,714</b>	<b>-2,956</b>	<b>-2,153</b>	<b>-2,209</b>	<b>-2,806</b>	<b>-2,774</b>	<b>-2,871</b>	<b>-2,870</b>	<b>-2,767</b>	<b>-9,055</b>	<b>-23,143</b>	

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Note: CAT = Catastrophic Crop Insurance; APH = Average Producer History.

Components may not sum to totals because of rounding.

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## Spending Subject to Appropriation

CBO estimates that implementing the provisions S. 3240 that authorize appropriations would cost \$29 billion over the 2013-2017 period, assuming appropriation of the necessary funds. Those discretionary costs are displayed in Table 3. Most of those provisions were described in CBO's cost estimate of [S. 3240](#) as introduced on May 24, 2012.

**TABLE 3. ESTIMATED EFFECTS ON DISCRETIONARY SPENDING FOR IMPLEMENTING S. 3240 AS PASSED BY THE SENATE ON JUNE 21, 2012**

	By Fiscal Year, in Millions of Dollars					2013-2017
	2013	2014	2015	2016	2017	
<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	155	130	130	130	130	675
Estimated Outlays	72	92	114	127	130	535
<b>Title III – Trade</b>						
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
<b>Title IV – Nutrition</b>						
Estimated Authorization Level	318	181	183	187	189	1,058
Estimated Outlays	297	186	183	186	189	1,041
<b>Title V – Credit</b>						
Estimated Authorization Level	91	91	91	99	99	471
Estimated Outlays	84	91	91	98	99	463
<b>Title VI – Rural Development</b>						
Estimated Authorization Level	1,120	1,128	1,137	1,144	1,156	5,685
Estimated Outlays	158	527	812	980	1,065	3,542
<b>Title VII – Research, Extension, and Related Matters</b>						
Estimated Authorization Level	2,078	2,102	2,128	2,154	2,180	10,641
Estimated Outlays	1,061	1,675	2,110	2,136	2,162	9,144
<b>Title VIII – Forestry</b>						
Estimated Authorization Level	590	590	590	590	590	2,949
Estimated Outlays	265	413	501	560	590	2,330
<b>Title IX – Energy</b>						
Estimated Authorization Level	228	228	228	228	228	1,140
Estimated Outlays	29	96	160	205	228	718
<b>Title X – Horticulture</b>						
Estimated Authorization Level	50	50	50	50	50	250
Estimated Outlays	35	47	50	50	50	231
<b>Title XII – Miscellaneous</b>						
Estimated Authorization Level	101	98	98	78	78	453
Estimated Outlays	36	66	88	95	88	373
<b>Total Changes</b>						
Estimated Authorization Level	6,859	7,354	7,393	7,421	7,465	36,493
Estimated Outlays	2,845	5,165	6,606	7,096	7,325	29,036

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

## 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 shown in Table 4.

**TABLE 4. CBO ESTIMATE OF THE STATUTORY PAY-AS-YOU-GO EFFECTS FOR S. 3240, THE AGRICULTURE REFORM, FOOD, AND JOBS ACT OF 2012, AS PASSED BY THE SENATE ON JUNE 21, 2012**

	By Fiscal Year, in Millions of Dollars												2012-	2012-
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2017	2022	
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT</b>														
Statutory Pay-As-You-Go Impact	0	-24	-1,714	-2,956	-2,153	-2,209	-2,806	-2,774	-2,871	-2,870	-2,767	-9,055	-23,143	

## ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 3240 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 nontax provisions of the act would impose private-sector mandates as defined in UMRA. Specifically, the act 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 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.

- Prohibit individuals from attending animal fighting ventures (defined as any event that involves a fight between at least two animals and is conducted for purposes of sport, wagering, or entertainment). Currently, sponsoring an animal fighting venture involving live birds is permitted, under certain conditions, in states and territories where such events would not violate the laws of the state or territory. Because animal fighting ventures are banned in all states and the District of Columbia, CBO expects that the cost of the prohibition would be small.

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

## **PREVIOUS CBO ESTIMATE**

On May 24, 2012, CBO transmitted a cost estimate for [S. 3240](#), the Agriculture Reform, Food, and Jobs Act of 2012, as introduced in the United States Senate on May 24, 2012. CBO estimated that version of the legislation, when combined with estimated spending under CBO's baseline projections for the mandatory agriculture and nutrition programs included in the act, would bring total direct spending for those USDA programs to \$969 billion over the 2013-2022 period—\$23.6 billion less than we projected would be spent if those programs were continued as under current law.

The Senate passed S. 3240 on June 21, 2012, with several amendments. CBO estimates that those amendments would increase direct spending by \$450 million over 10 years, compared with the version of the legislation as introduced (see Table 5). Taking into account the estimated outlay effects of the adopted amendments, mandatory spending under S. 3240 for USDA programs would be \$970 billion over the 2013-2022 period—\$23.1 billion less than estimated under current law. Table 5 itemizes the costs of the amendments adopted by the Senate.

S. 3240, as passed by the Senate, also includes several amendments that would authorize more discretionary spending compared with the version of the legislation introduced on May 24, 2012. CBO estimates that discretionary spending under the act would total \$29 billion over the 2013-2017 period, or \$590 million more than for S. 3240 as introduced, assuming appropriation of the necessary amounts. Those additional authorizations of appropriations include:

- \$100 million a year to combat bark beetles on forest land;
- \$20 million a year to promote maple syrup production;
- \$25 million a year to research poultry feed; and
- \$10 million to purchase pulse (certain grain legume) crops for the School Lunch Program.



Other provisions of S. 3240 would require USDA to study a variety of issues, establish a USDA Office of Tribal Relations, and amend the operation of various discretionary USDA programs.

**TABLE 5. CBO ESTIMATE OF THE IMPACT ON DIRECT SPENDING OF AMENDMENTS TO S. 3240 ADOPTED BY THE SENATE**

	By Fiscal Year, in Millions of Dollars											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
<b>CHANGES IN DIRECT SPENDING FOR S. 3240 AS INTRODUCED ON MAY 24, 2012</b>												
Estimated Budget Authority	295	-1,352	-2,909	-2,305	-2,272	-3,000	-2,855	-2,934	-2,888	-2,764	-8,542	-22,983
Estimated Outlays	338	-2,092	-3,087	-2,226	-2,270	-2,869	-2,812	-2,897	-2,884	-2,795	-9,337	-23,593
<b>AMENDMENTS ADOPTED AFFECTING DIRECT SPENDING</b>												
Manager's Amendment												
Estimated Budget Authority	-355	410	22	18	18	18	19	19	19	21	113	209
Estimated Outlays	-353	260	95	39	20	30	17	18	15	31	61	172
Improve Livestock Forage Disaster Program												
Estimated Budget Authority	0	11	5	5	6	6	6	6	6	6	27	57
Estimated Outlays	0	11	5	5	6	6	6	6	6	6	27	57
Strengthen Rural Communities												
Estimated Budget Authority	-33	83	33	33	33	0	0	0	0	0	149	149
Estimated Outlays	-9	0	20	32	40	34	22	10	1	0	83	150
Organic Crop Price Elections For Crop Insurance												
Estimated Budget Authority	0	1	1	1	1	1	1	1	1	1	4	9
Estimated Outlays	0	0	1	1	1	1	1	1	1	1	3	8
Disaster Assistance for 2012 Fruit Losses												
Estimated Budget Authority	0	120	0	0	0	0	0	0	0	0	120	120
Estimated Outlays	0	108	12	0	0	0	0	0	0	0	120	120
Conservation Compliance for Crop Insurance												
Estimated Budget Authority	0	-2	-4	-6	-9	-9	-9	-9	-9	-9	-21	-66
Estimated Outlays	0	0	-2	-4	-6	-9	-9	-9	-9	-9	-12	-56
Total Changes												
Estimated Budget Authority	-388	623	57	51	49	16	17	17	17	19	392	478
Estimated Outlays	-362	379	131	73	61	63	37	26	14	29	282	450
<b>CHANGES IN DIRECT SPENDING FOR S. 3240 AS PASSED BY THE SENATE ON JUNE 21, 2012</b>												
Estimated Budget Authority	-93	-729	-2,852	-2,253	-2,222	-2,984	-2,838	-2,918	-2,871	-2,745	-8,149	-22,504
Estimated Outlays	-24	-1,714	-2,956	-2,153	-2,209	-2,806	-2,774	-2,871	-2,870	-2,767	-9,055	-23,143

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