



December 11, 2018

Honorable K. Michael Conaway
Chairman
Committee on Agriculture
U.S. House of Representatives
Washington, DC 20515

Re: *Direct Spending and Revenue Effects of the Conference Agreement for H.R. 2, the Agriculture Improvement Act of 2018*

Dear Mr. Chairman:

CBO has prepared an estimate of the effects on direct spending and revenues of the conference agreement for H.R. 2, the Agriculture Improvement Act of 2018, as agreed to on December 10, 2018.

Relative to spending projected under CBO's April 2018 baseline, CBO estimates that enacting H.R. 2 would increase direct spending by \$1.8 billion and revenues by \$35 million over the 2019-2023 period. Following the rules specified in the Balanced Budget and Emergency Deficit Control Act of 1985, CBO has incorporated the assumption that the changes made to those programs would continue after 2023, the final year of authorization under the conference agreement. On that basis, CBO estimates that direct spending and revenues would each increase by \$70 million over the 2019-2028 period, resulting in no net change in deficits over the 10-year period.

For this estimate, CBO assumes that the conference agreement will be enacted by the end of calendar year 2018. Most of the current authorizations for agriculture and nutrition programs that are reauthorized by H.R. 2 expired at the end of fiscal year 2018. However, consistent with the rules governing baseline projections that are specified in the Deficit Control Act, CBO's baseline incorporates the assumption that those programs will continue to operate after their authorizations expire in the same manner as they did before such expiration. Thus, the costs of extending those authorizations through 2023 are not included in the costs attributable to this conference agreement. CBO estimates that those costs would total \$387 billion over the 2019-2023 period and \$787 billion over the 2019-2028 period. Assuming enactment of H.R. 2, total spending under CBO's baseline for agriculture and nutrition programs would be \$428 billion over the 2019-2023 period and \$867 billion over the 2019-2028 period.

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Because enacting H.R. 2 would affect direct spending and revenues, pay-as-you-go procedures apply.

Further details about the changes in direct spending and revenues are displayed in the enclosed tables. Table 1 summarizes CBO's estimate of the budgetary effects for the entire conference agreement; Table 2 shows CBO's estimate of the budgetary effects by title; Table 3 shows estimates for specific provisions within the various titles of the conference agreement; and Table 4 provides estimates of the Pay-As-You-Go effects.

CBO estimates that enacting the conference agreement would not increase net direct spending or on-budget deficits relative to the baseline in any of the four consecutive 10-year periods beginning in 2029.

CBO has not estimated the additional discretionary spending that would result from implementing H.R. 2; such spending would be subject to future appropriation actions.

The conference agreement would impose intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). In the aggregate, CBO estimates the costs of mandates on public entities would be below the annual threshold established in UMRA for intergovernmental mandates (\$80 million in 2018, adjusted annually for inflation). The costs of mandates on private entities would exceed the annual threshold established in UMRA for private-sector mandates (\$160 million in 2018, adjusted annually for inflation).

If you need further details on this estimate, we would be pleased to provide them. The CBO staff contact is Jim Langley. The CBO analysts who contributed to this estimate include: Tia Caldwell, Elizabeth Cove Delisle, Kathleen FitzGerald, Jennifer Gray, Justin Latus, and Emily Stern for nutrition programs, Tiffany Arthur and Jim Langley for agriculture programs, Robert Reese and Megan Carroll for rural development programs, Mark Grabowicz for merchandise processing fees, Janani Shankaran for forestry programs, and Andrew Laughlin and Zachary Byrum for mandates.

Sincerely,



Keith Hall
Director

cc: Honorable Collin C. Peterson
Ranking Member

Identical letter sent to the Honorable Pat Roberts

TABLE 1. SUMMARY OF THE EFFECTS ON DIRECT SPENDING AND REVENUES OF THE CONFERENCE AGREEMENT FOR H.R. 2, THE AGRICULTURE IMPROVEMENT ACT OF 2018, AS AGREED TO ON DECEMBER 10, 2018

	By Fiscal Year, in Millions of Dollars											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
INCREASES OR DECREASES (-) IN DIRECT SPENDING												
Estimated Budget Authority	2,414	1,147	208	115	365	195	-182	-232	-625	-282	4,249	3,123
Estimated Outlays	1,406	664	-101	-124	-25	-73	-365	-333	-672	-307	1,820	70
INCREASES IN REVENUES												
Estimated Revenues	7	7	7	7	7	7	7	7	7	7	35	70
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES												
Effect on the Deficit	1,399	657	-108	-131	-32	-80	-372	-340	-679	-314	1,785	0

MEMORANDUM:

CBO's April 2018 Baseline Spending Projections for Expiring Farm Bill Programs That Are Assumed to Continue in the Baseline^a

Estimated Budget Authority	78,769	77,810	78,981	77,794	77,686	78,206	79,091	80,196	81,521	83,127	391,039	793,181
Estimated Outlays	77,896	76,897	78,055	77,202	77,111	77,677	78,608	79,682	80,971	82,569	387,162	786,668

CBO's April 2018 Baseline Spending Projections for Permanently Authorized Farm Bill Programs

Estimated Budget Authority	7,807	8,015	8,121	8,158	8,202	8,242	8,309	8,344	8,380	8,421	40,303	81,999
Estimated Outlays	7,475	7,720	7,934	8,061	8,110	8,153	8,192	8,256	8,297	8,332	39,301	80,531

Estimated Total Spending Under CBO's April 2018 Baseline for Farm Bill Programs

Estimated Budget Authority	86,575	85,825	87,102	85,952	85,888	86,449	87,400	88,540	89,901	91,548	431,343	875,181
Estimated Outlays	85,372	84,617	85,989	85,263	85,221	85,831	86,800	87,938	89,268	90,901	426,462	867,200

Components may not sum to totals because of rounding.

a. Consistent with the rules governing baseline projections that are specified in the Balanced Budget and Emergency Deficit Control Act of 1985, CBO's baseline incorporates the assumption that most farm bill programs that expire at the end of 2018 will continue to operate after their authorizations expire in the same manner as they did before expiration.

TABLE 2. ESTIMATED CHANGES IN DIRECT SPENDING AND REVENUES OF THE CONFERENCE AGREEMENT FOR H.R. 2, THE AGRICULTURE IMPROVEMENT ACT OF 2018, AS AGREED TO ON DECEMBER 10, 2018

	By Fiscal Year, in Millions of Dollars											2019-	2019-
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2023	2028	
INCREASES OR DECREASES (-) IN DIRECT SPENDING													
Title I, Commodities													
Estimated Budget Authority	78	32	-72	20	55	87	23	18	34	3	113	278	
Estimated Outlays	67	30	-74	21	57	84	24	16	36	2	101	263	
Title II, Conservation													
Estimated Budget Authority	1,146	765	344	167	352	282	-10	-48	-83	-82	2,774	2,832	
Estimated Outlays	365	283	17	-81	-29	15	-192	-146	-131	-106	555	-6	
Title III, Trade													
Estimated Budget Authority	47	47	47	47	47	47	47	47	47	47	235	470	
Estimated Outlays	47	47	47	47	47	47	47	47	47	47	235	470	
Title IV, Nutrition													
Estimated Budget Authority	53	53	37	39	29	4	-17	-24	-27	-27	211	119	
Estimated Outlays	-12	33	29	26	21	0	-19	-24	-27	-27	98	0	
Title V, Credit													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0	0	
Title VI, Rural Development													
Estimated Budget Authority	750	-150	-350	-375	-395	-400	-400	-400	-400	-400	-520	-2,520	
Estimated Outlays	750	-150	-350	-380	-400	-400	-400	-400	-400	-400	-530	-2,530	
Title VII, Research, Extension, and Related Matters													
Estimated Budget Authority	30	215	35	40	60	50	50	50	50	50	380	630	
Estimated Outlays	19	216	35	41	55	50	50	50	50	50	365	615	

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Table 2. Continued

	By Fiscal Year, in Millions of Dollars											2019-	2019-
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2023	2028	
INCREASES OR DECREASES (-) IN DIRECT SPENDING													
Title VIII, Forestry													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0	0	
Title IX, Energy													
Estimated Budget Authority	60	35	10	10	10	0	0	0	0	0	125	125	
Estimated Outlays	4	17	28	32	28	11	3	2	0	0	109	125	
Title X, Horticulture													
Estimated Budget Authority	62	52	54	58	58	50	50	50	50	50	284	534	
Estimated Outlays	30	40	60	60	60	50	50	50	50	50	250	500	
Title XI, Crop Insurance													
Estimated Budget Authority	-12	-12	-12	-12	-12	-12	-12	-12	-12	-11	-59	-115	
Estimated Outlays	-1	-10	-12	-12	-12	-12	-12	-12	-12	-11	-47	-104	
Title XII, Miscellaneous													
Estimated Budget Authority	200	110	115	120	160	87	87	87	-284	87	706	771	
Estimated Outlays	136	159	119	122	149	82	85	85	-285	87	685	738	
Total													
Estimated Budget Authority	2,414	1,147	208	115	365	195	-182	-232	-625	-282	4,249	3,123	
Estimated Outlays	1,406	664	-101	-124	-25	-73	-365	-333	-672	-307	1,820	70	

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Table 2. Continued

	By Fiscal Year, in Millions of Dollars											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019- 2023	2019- 2028
INCREASES IN REVENUES												
Title XII, Miscellaneous	7	7	7	7	7	7	7	7	7	7	35	70
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES												
Net Effect on the Deficit	1,399	657	-108	-131	-32	-80	-372	-340	-679	-314	1,785	0

Components may not sum to totals because of rounding. Excludes discretionary spending that would be subject to annual appropriation. Estimates are relative to CBO's April 2018 baseline. For revenues, positive numbers indicate a decrease in the deficit.

TABLE 3. DETAILS OF INCREASES AND DECREASES IN DIRECT SPENDING OUTLAYS AND REVENUES UNDER THE CONFERENCE AGREEMENT FOR H.R. 2, THE AGRICULTURE IMPROVEMENT ACT OF 2018, AS AGREED TO ON DECEMBER 10, 2018

	By Fiscal Year, in Millions of Dollars											2019-	2019-
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2023	2028	
INCREASES OR DECREASES (-) IN DIRECT SPENDING OUTLAYS													
Title I - Commodities													
Sec. 1105, Annual Agriculture Risk Coverage (ARC)/Price Loss Coverage (PLC) Enrollment	0	0	0	0	25	25	26	26	25	26	25	153	
Sec. 1106, PLC	0	0	-65	23	38	26	26	26	36	28	-4	137	
Sec. 1107, ARC--County	0	0	-24	-28	-28	-20	-23	-20	-22	-20	-81	-186	
Sec. 1107, ARC--Individual	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-2	-5	
Sec. 1107, Administrative Units for Large Counties	0	0	1	1	1	1	1	1	1	1	3	7	
Sec. 1202, Modified Marketing Assistance Loan Rates	0	27	22	16	16	13	12	10	10	10	81	136	
Sec. 1301, Modified Sugar Loan Rates	0	0	0	0	0	1	1	2	2	3	1	9	
Sec. 1401, Allow Participation in Dairy Risk Management and Livestock Gross Margin on Same Milk	1	10	13	14	14	13	14	14	16	14	52	123	
Sec. 1401, Margin Protection Premium Refund Credit 75%	58	0	0	0	0	0	0	0	0	0	58	58	
Sec. 1401, Dairy Risk Management Payments	-19	-15	-26	-11	-15	20	-39	-49	-39	-64	-86	-257	
Sec. 1404, Repeal Dairy Product Donation Program	-5	-5	-6	-6	-6	-5	-6	-6	-5	-5	-28	-54	
Sec. 1404, Milk Donation Program	9	5	5	5	5	5	5	5	5	5	29	54	
Sec. 1501, Livestock Indemnity Payments	1	1	1	1	1	1	1	1	1	1	4	8	
Sec. 1501, Cattle Tick Fever Inspections	1	1	1	1	1	1	1	1	1	1	4	7	
Sec. 1501, Tree Assistance Program	0	0	0	0	0	0	0	0	0	0	2	4	
Sec. 1501, Payment Limitations for Supplemental Disaster	2	1	1	1	1	1	1	1	1	1	8	15	
Sec. 1703, Payment Limitations--Family Definition	4	4	4	4	4	4	4	4	4	4	20	40	
Sec. 1706, Implementation	15	1	0	0	0	0	0	0	0	0	16	16	
Subtotal, Title I	67	30	-74	21	57	84	24	16	36	2	101	263	
Title II - Conservation													
Sec. 2201, Conservation Reserve Program	38	-52	-110	-80	15	119	33	37	0	1	-189	0	
Sec. 2301, Conservation Stewardship Program	-25	-358	-796	-1,103	-1,387	-1,562	-1,768	-1,810	-1,808	-1,808	-3,669	-12,426	
Sec. 2302 and 2308, Environmental Quality Incentives and Conservation Stewardship Program	170	356	539	692	903	1,019	1,100	1,184	1,233	1,257	2,660	8,451	
Sec. 2401, Small Watershed Rehabilitation	2	8	19	29	37	42	45	45	45	45	95	317	
Sec. 2405, Grassroots Source Water Protection Program	2	2	1	0	0	0	0	0	0	0	5	5	
Sec. 2406, Voluntary Public Access and Habitat Incentive	10	10	10	10	10	0	0	0	0	0	50	50	
Sec. 2408, Feral Swine Eradication and Control Pilot	15	25	20	10	5	0	0	0	0	0	75	75	
Sec. 2601, Agricultural Conservation Easement Program	73	151	177	187	198	197	198	199	199	200	786	1,779	
Sec. 2701, Regional Conservation Partnership Program	80	141	157	174	191	200	200	200	200	200	742	1,742	
Subtotal, Title II	365	283	17	-81	-29	15	-192	-146	-131	-106	555	-6	
Title III - Trade													
Sec. 3201, Agricultural Trade Promotion and Facilitation	47	47	47	47	47	47	47	47	47	47	235	470	
Subtotal, Title III	47	47	47	47	47	47	47	47	47	47	235	470	

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Table 3. Continued

	By Fiscal Year, in Millions of Dollars											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019- 2023	2019- 2028
INCREASES OR DECREASES (-) IN DIRECT SPENDING OUTLAYS												
Title IV - Nutrition												
Sec. 4003, Food Distribution Program on Indian Reservations	0	3	3	4	4	4	4	4	4	4	14	34
Sec. 4004, Simplified Homeless Housing Costs	3	8	8	8	8	8	8	8	8	8	35	75
Sec. 4005, Employment and Training for Supplemental Nutrition Assistance Program	19	24	24	24	24	24	24	24	24	24	115	234
Sec. 4006, Improvements to Electronic Benefit Transfer System	0	3	8	14	21	15	8	1	2	2	46	74
Sec. 4011, Interstate Data Matching to Prevent Multiple Issuances	0	-6	-25	-40	-60	-75	-90	-90	-95	-95	-131	-576
Sec. 4013, Quality Control Improvements	-48	-48	-48	-48	-48	-48	-48	-48	-48	-48	-240	-480
Sec. 4014, Evaluation of Child Support Enforcement Cooperation Requirements	1	3	1	1	0	0	0	0	0	0	5	5
Sec. 4015, Longitudinal Data for Research	0	11	11	1	3	5	5	5	5	5	26	51
Sec. 4017, Assistance for Community Food Projects	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-20	-40
Sec. 4018, Emergency Food Assistance Program	12	24	23	23	23	19	20	20	21	21	105	206
Sec. 4205, The Gus Schumacher Nutrition Incentive Program	6	16	28	43	50	52	54	56	56	56	143	417
Subtotal, Title IV	-12	33	29	26	21	0	-19	-24	-27	-27	98	0
Title V - Credit	0	0	0	0	0	0	0	0	0	0	0	0
Title VI - Rural Development												
Sec. 6501, Modification of Loans Under Rural Electrification Act	800	0	0	0	0	0	0	0	0	0	800	800
Sec. 6503, Reduction in Interest Credited to Rural Utility Service Borrowers' Cushion of Credit Accounts	-50	-150	-350	-380	-400	-400	-400	-400	-400	-400	-1,330	-3,330
Subtotal, Title VI	750	-150	-350	-380	-400	-400	-400	-400	-400	-400	-530	-2,530
Title VII - Research, Extension, and Related Matters												
Sec. 7115, Scholarships for Students at 1890 Institutions	0	10	10	10	10	0	0	0	0	0	40	40
Sec. 7210, Organic Agriculture Research and Extension	17	19	23	29	43	50	50	50	50	50	130	380
Sec. 7212, Urban, Indoor, and Other Emerging Agricultural Production Research and Extension	2	2	2	2	2	0	0	0	0	0	10	10
Sec. 7603, Foundation for Food and Agriculture Research	0	185	0	0	0	0	0	0	0	0	185	185
Subtotal, Title VII	19	216	35	41	55	50	50	50	50	50	365	615
Title VIII - Forestry	0	0	0	0	0	0	0	0	0	0	0	0

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Table 3. Continued

	By Fiscal Year, in Millions of Dollars											2019- 2023	2019- 2028
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028			
INCREASES OR DECREASES (-) IN DIRECT SPENDING OUTLAYS													
Title IX - Energy													
Sec. 9002, Biobased Market Program	2	3	3	3	3	1	0	0	0	0	14	15	
Sec. 9003, Biorefinery Assistance	0	10	20	23	18	5	0	0	0	0	70	75	
Sec. 9005, Bioenergy Program for Advanced Biofuels	2	4	5	7	7	5	3	2	0	0	25	35	
Subtotal, Title IX	4	17	28	32	28	11	3	2	0	0	109	125	
Title X - Horticulture													
Sec. 10102, Local Agriculture Market Program	28	38	50	50	50	50	50	50	50	50	215	465	
Sec. 10103, Organic Production and Market Data Initiatives	1	1	1	1	1	0	0	0	0	0	5	5	
Sec. 10104, Organic Certification/Trade Tracking and Data Collection	1	1	1	1	1	0	0	0	0	0	5	5	
Sec. 10105, National Organic Certification Cost Share	0	0	8	8	8	0	0	0	0	0	24	24	
Sec. 10109, Multiple Crop and Pesticide Use Survey	0	0	0	0	0	0	0	0	0	0	1	1	
Subtotal, Title X	30	40	60	60	60	50	50	50	50	50	250	500	
Title XI - Crop Insurance													
Sec. 11109, Treatment of Forage and Grazing	1	9	10	10	10	10	10	10	10	10	40	90	
Sec. 11110, Increase Catastrophic Coverage Administrative Basic Fee to \$655	-1	-12	-14	-14	-14	-14	-14	-14	-14	-14	-55	-125	
Sec. 11111, Enterprise Units Across County Lines	0	-3	-3	-3	-3	-3	-3	-3	-3	-3	-12	-27	
Sec. 11113, Submission of Policies and Materials to Board	0	0	1	1	1	1	1	1	1	1	3	8	
Sec. 11114, Crop Production on Native Sod	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-2	-4	
Sec. 11118, Program Administration	0	-2	-2	-2	-2	-2	-2	-2	-2	-2	-8	-18	
Sec. 11122, Research and Development Authority	0	1	2	2	2	2	2	2	2	2	6	13	
Sec. 11123, Funding for Research and Development	0	-4	-5	-5	-5	-5	-5	-5	-5	-5	-18	-40	
Subtotal, Title XI	-1	-10	-12	-11	-47	-104							
Title XII - Miscellaneous													
Sec. 12101, Animal Disease Prevention and Management	60	48	6	6	29	30	30	30	30	30	149	299	
Sec. 12102, Sheep Production and Marketing Grants	1	1	0	0	0	0	0	0	0	0	2	2	
Sec. 12301, Farming Opportunities Training and Outreach	27	30	33	35	41	45	48	48	49	50	166	404	
Sec. 12531, National Oilheat Research Alliance ^a	7	7	7	7	7	7	7	7	7	7	35	70	
Sec. 12602, Pima Agriculture Cotton Trust Fund	16	16	16	16	16	0	0	0	0	0	80	80	
Sec. 12603, Agriculture Wool Apparel Manufacturers Trust Fund	0	30	30	30	30	0	0	0	0	0	120	120	
Sec. 12604, Wool Research and Promotion	0	2	2	2	2	0	0	0	0	0	9	10	
Sec. 12605, Emergency Citrus Trust Fund	25	25	25	25	25	0	0	0	0	0	125	125	
Sec. 12606, Extension of Merchandise Processing Fee	0	0	0	0	0	0	0	0	-371	0	0	-371	
Subtotal, Title XII	136	159	119	122	149	82	85	85	-285	87	685	738	

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Table 3. Continued

	By Fiscal Year, in Millions of Dollars											2019- 2023	2019- 2028
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028			
Total Changes in Direct Spending	1,406	664	-101	-124	-25	-73	-365	-333	-672	-307	1,820	70	
INCREASES IN REVENUES													
Sec. 12531, National Oilheat Research Alliance	7	7	7	7	7	7	7	7	7	7	35	70	
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Net Effect on the Deficit	1,399	657	-108	-131	-32	-80	-372	-340	-679	-314	1,785	0	

Components may not sum to totals because of rounding. Excludes discretionary spending that would be subject to annual appropriation. Estimates are relative to CBO's April 2018 baseline. For revenues, positive numbers indicate a decrease in the deficit.

a. Revenue effects of this provision are shown in revenue line of the estimate.

