Congressional Budget Office
Cost Estimate

December 22, 2022

At a Glance

H.R. 267, 2020 WHIP+ Reauthorization Act

As reported by the House Committee on Agriculture on September 20, 2021

By Fiscal Year, Millions of Dollars	2023	2023-2027	2023-2032
Direct Spending (Outlays)	0	10	23
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	10	23
Spending Subject to Appropriation (Outlays)	1,000	1,500	1,500

		Mandate Effects	
Statutory pay-as-you-go procedures apply?	Yes	Contains intergovernmental mandate?	No
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2033?	No	Contains private-sector mandate?	No

The bill would

- Authorize the appropriation of $8.5 billion to compensate agricultural producers for crop losses that result from qualifying disasters in calendar years 2020 and 2021
- Require producers without federal crop insurance or coverage under the noninsured crop disaster assistance program (NAP) to enroll in one of those programs for the two years following receipt of assistance

Estimated budgetary effects would mainly stem from

- Spending the authorized amount for losses incurred in calendar years 2020 and 2021
- New enrollments in federal crop insurance or NAP by producers as required under the bill

Areas of significant uncertainty include

- Estimating the extent of crop losses that exceed crop insurance and NAP coverage for calendar years 2020 and 2021
- Estimating the number of producers newly enrolling in crop insurance or NAP and the losses that would be covered under those policies

Detailed estimate begins on the next page.

Bill Summary

H.R. 267 would reauthorize the Wildfire and Hurricane Indemnity Plus (WHIP+) program administered by the Department of Agriculture (USDA) and authorize the appropriation of $8.5 billion to expand that program to cover losses of crops, milk, and other commodities as a result of a hurricane, flood, wildfire, or other qualifying disaster in calendar years 2020 and 2021. Under H.R. 267, if they do not already participate, producers would be required to purchase federal crop insurance or enroll in the noninsured crop disaster assistance program (NAP) for a minimum of two years after accepting WHIP+ compensation. The bill would direct USDA to continue to administer the WHIP+ program as it does under current law.

Estimated Federal Cost

The estimated budgetary effect of H.R. 267 is shown in Table 1. The costs of the legislation fall within budget function 350 (agriculture).

Table 1.
Estimated Budgetary Effects of H.R. 267

	By Fiscal Year, Millions of Dollars											
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023-2027	2023-2032
Increases in Direct Spending												
Estimated Budget Authority	0	2	3	3	3	3	3	2	2	2	11	23
Estimated Outlays	0	1	3	3	3	3	3	2	2	2	10	23
Increases in Spending Subject to Appropriation												
Authorization	8,500	0	0	0	0	0	0	0	0	0	8,500	8,500
Estimated Outlays[a]	1,000	500	0	0	0	0	0	0	0	0	1,500	1,500

* Components may not sum to totals because of rounding.

a. The Congress appropriated $10 billion in the Disaster Relief Supplemental Appropriations Act, 2022, for calendar years 2020 and 2021 for losses covered by WHIP+, an amount that USDA has indicated may be insufficient under current law. H.R. 267 would authorize the appropriation of an additional $8.5 billion for the same purpose. CBO estimates that implementing H.R. 267 would increase spending for the program by $1.5 billion over the 2023-2027 period to cover losses in calendar years 2020 and 2021 that exceed the amount provided in 2022.

Basis of Estimate

For this estimate, CBO assumes that the bill will be enacted by the end of 2022 and that spending will follow historical patterns for related programs. The Congress appropriated $10 billion in the Disaster Relief Supplemental Appropriations Act, 2022, for calendar years 2020 and 2021 for losses covered by WHIP+, an amount that USDA has indicated may be insufficient under current law. CBO estimates that enacting H.R. 267 would increase direct spending by $23 million over the 2023-2032 period to cover the federal portion of new crop insurance policies and newly enrolled NAP participants. In addition, assuming appropriation

of the necessary amounts, CBO estimates that discretionary spending would total $1.5 billion over the same period.

Background

Federal crop insurance and NAP coverage are available to help producers recover from agricultural losses caused by natural disasters or harvest-time decreases in expected revenue. Producers can obtain crop insurance policies to cover between 28 percent and 90 percent of the value of a crop. The government subsidizes roughly 60 percent of crop insurance premiums, shares the risk of loss, and covers a portion of administrative and operating costs for the companies that sell and service policies.

NAP provides coverage for commodities for which crop insurance is not available. Participants may purchase risk protection to cover between 28 percent and 65 percent of the value of the crop. NAP participants pay a small service fee for basic coverage with additional premiums for higher coverage.

In counties where the President or the Secretary of Agriculture has issued a disaster declaration, WHIP+ provides additional coverage for crop losses. As an example, in the event of a disaster, for a qualified producer with enough federal crop insurance to cover 65 percent of the value of the crop, WHIP+ coverage would increase that share to 85 percent.

Direct Spending

Using information from USDA and other sources, CBO expects that enacting H.R. 267 would increase the number of producers purchasing crop insurance or enrolling in NAP and thus receiving crop insurance subsidies; the bill also would increase the number of producers able to be compensated for covered losses.

Roughly 70 percent of all cropland is covered under some form of crop insurance; federal subsidies under the program totaled $8.6 billion for crop year 2021. CBO assumes that producers with and without insurance are spread evenly across the country and that new purchasers would choose the minimum amount of insurance coverage.

On that basis and using information about losses paid under existing policies, CBO estimates that additional losses incurred by the crop insurance program and NAP would total $23 million over the 2023-2032 period. Payments to producers under crop insurance and NAP are recorded in the budget as direct spending. Because crop insurance policies renew automatically unless a producer cancels, CBO anticipates that purchases of policies and related costs would decrease slowly over time.

Spending Subject to Appropriation

Under the bill, the amount of assistance a producer would be eligible to receive would depend on the amount of federal crop insurance or NAP coverage the producer holds. Insured producers could receive up to 95 percent of the value of their crop in combined support (most of it from crop insurance or NAP coverage supplemented by additional

coverage under the bill). For producers without crop insurance or NAP coverage, compensation would be capped at 70 percent of the crop's value.

In 2022, the Congress provided $10 billion to WHIP+ for losses incurred in calendar years 2020 and 2021. H.R. 267 would authorize the appropriation of an additional $8.5 billion for the same purpose. Using information from USDA, CBO estimates that implementing H.R. 267 would increase spending for the program by $1.5 billion over the 2023-2027 period to cover losses in calendar years 2020 and 2021 that exceed the amount provided in 2022. That spending would be subject to the appropriation of the authorized amounts.

Uncertainty

Determining the costs of losses that exceed crop insurance and NAP coverage is the primary source of uncertainty in CBO's analysis of H.R. 267. Actual costs could be higher or lower than CBO estimates, resulting in higher or lower spending.

In addition, the number of producers newly purchasing crop insurance or enrolling in NAP for the two years after receiving WHIP+ assistance could be larger or smaller than CBO estimates. Accordingly, the costs of H.R. 267 could be higher or lower.

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. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in table 2.

Table 2.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 267, the 2020 WHIP+ Reauthorization Act, as Ordered Reported by the House Committee on Agriculture on July 27, 2021

	By Fiscal Year, Millions of Dollars											
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023-2027	2023-2032
	Net Increases in the Deficit											
Pay-As-You-Go Effect	0	1	3	3	3	3	3	2	2	2	10	23

Increase in Long-Term Deficits

CBO estimates that enacting H.R. 267 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2033.

Mandates: None.

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