



Farm bill funding: What types of ‘trickery’ are in play?

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The late Illinois Senator Everett Dirksen was widely attributed with saying: “A billion here, a billion there and pretty soon you are talking real money.” In today’s budgetary climate, he might have taken a new twist: “A delay here and a program change there, and pretty soon you are talking about billions.”

Deputy Secretary of Agriculture Chuck Conner frequently refers to budget gimmicks and trickery that lawmakers are using to fund and expand programs in a new farm bill. He’s especially opposed to what he describes as “new taxes,” compared to what Congress describes as “closing loopholes,” but Conner also points to some of the shifts that delay or delete funding in order to stay within spending parameters.

There are, indeed, several timing and funding shifts in the roughly \$286 billion farm bill package. However, as with so many other things in Washington, much of what you see is subject to “interpretation.” Adding to the complexity: the spending comparisons will continue to shift as the Congressional Budget Office (CBO) updates the projected spending baselines.

Most staff members point out that several of these so-called budget “gimmicks” have been employed before by GOP members, albeit perhaps not to the same level of magnitude or creativity. For example, in the 2002 Farm Bill, timing shifts in farm program payments “created” \$2.6 billion in savings and another \$1.5 billion in the 2006 budget reconciliation package. Here’s a glimpse of how the House and Senate versions stack up in terms of spending.

Some of the biggest differences between the House and Senate versions of the new farm bill result from timing **between the first five years and the second five years.** For example, the Senate version saves money on nutrition programs by basically sunsetting the formula funding changes after five years. So the calculation of benefits basically goes back to “square one,” making the estimates appear as if all of the increases had never occurred. As a result, the differences are substantial on nutrition programs.

| Farm bill funding for nutrition programs | First five years | Second five years | 2008-2017 |
|--|------------------|-------------------|-----------|
| House version | \$4.2 billion | \$7.245 billion | \$11,450 |
| Senate version | \$5.3 billion | \$ 1.4 billion | \$ 6,701* |

*CBO score. Senate version sunsets the Fresh Fruit and Vegetable program after 5 years, but had a drafting error resulting in 2008-2017 actual of \$5.6 Billion

On the Conservation Security Program (CSP), the two versions also differ dramatically. The House version assumes killing the program during the first five years and starting a new version, getting credit for about \$4.8 billion in savings. The Senate version assumes that about \$10.2 billion will be available for this working lands conservation program---enough to enroll slightly under 80 million more acres. The funding level might have been higher, **but by capping the program at that acreage level, CBO estimated an additional \$2.2 billion in savings.**

Timing shifts are once again used on the revenue counter-cyclical option in the House and the Average Crop Revenue (ACR) option in the Senate. The House version delays the 22% advance payment on direct payments by 10 months to save about \$1.1 billion. The Senate version saves even more in their Average Crop Revenue (ACR) option **by delaying the 22% advance on direct/fixed for almost two years (22 months)**, delaying the final payment for 12 months and making other changes.

There are some provisions that could potentially save money, but never get counted because the budget scoring rules do not allow savings from “administrative actions,” rather than actual spending cuts. For example, the House version of the new farm bill provides funding for “data mining” which could potentially cut fraud and abuse in the crop insurance program. The provision was scored as saving \$375 million over ten years. However, Sen. Kent Conrad (D-ND) told staff that **he will not allow use of so-called “directed scorekeeping”** so these “savings” will not be added to the mix.

Complicating efforts to find savings in either package: All of these numbers are based on Congressional Budget Office (CBO) estimates from last year and could change depending on updates issued in March. House Agriculture Committee Chairman Collin Peterson (D-MN) said recently that the anticipated savings in the Senate version of the ACR package had dropped from \$1.8 billion to \$21 million, according to the January CBO estimate. **“Now we are another \$2 billion short, so this thing is not getting any better.”**

Lawmakers use the January estimate as a guide, but could be forced to work under a revised set of numbers when the new March CBO scoring baseline is released. Most folks assume that the March estimate would provide even fewer dollars, especially for commodity programs. However, our sources say the net impact is still very uncertain.

“In some cases it will help and in other cases it will hurt, depending on whether money is being put into or pulled out of a program areas,” noted one budget expert. For example, spending on crop insurance subsidies is expected to increase by about \$13 billion over 10 years as a result of insuring crops with higher prices. The chart below show how two different revised baselines could provide even fewer dollars for commodity programs. **(Note: the January 2008 baseline and the March 2007 revised baseline are different. The revised March 2007 baseline uses assumptions from the energy and omnibus appropriations bills.)**

CBO Baseline for CCC Commodity Outlays

(millions)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 08-12 | 08-17 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|
| Mar-07 | 7,202 | 7,307 | 6,988 | 6,851 | 6,950 | 7,148 | 7,461 | 7,835 | 8,276 | 8,577 | 35,299 | 74,596 |
| Mar-07 Revised | 7,452 | 7,535 | 7,210 | 7,067 | 7,142 | 7,287 | 7,535 | 7,842 | 8,148 | 8,391 | 36,406 | 75,608 |
| Jan-08 | 6,588 | 6,556 | 6,462 | 6,355 | 6,458 | 6,564 | 6,722 | 6,842 | 7,013 | 7,267 | 32,419 | 66,827 |
| Baseline reductions compared to previous baselines | | | | | | | | | | | | |
| Jan 08 - Mar 07 | -614 | -751 | -526 | -495 | -492 | -584 | -739 | -993 | - | - | -2,880 | -7,768 |
| Jan 08 - Mar 07 - Revised | -864 | -979 | -748 | -712 | -684 | -723 | -813 | -999 | 1,135 | 1,124 | -3,987 | -8,781 |

How this funding game will play out is still anyone’s guess. Several sources have suggested various cuts that could be made to fund new or expanded programs. Cutting direct payments is an idea that’s likely to fly with Senate Agriculture Committee Chairman Tom Harkin (D-IA), who has repeatedly suggested it’s an idea **“on the table.”** However, most wheat, cotton and rice interests are adamantly opposed to direct payment cuts and the idea is not likely to fly past a staunch advocate like Sen. Pat Roberts (R-KS).

Senator Kent Conrad (D-ND) may add yet another dimension to the farm bill funding scenario. He’s working with Sen. Max Baucus (D-MT) and other members of the Senate Finance Committee to develop a new revenue package that he says will be entirely acceptable to the Bush Administration. However, he has yet to provide specifics.

During a recent press briefing, Sen. Blanche Lincoln (D-AR) said she and her fellow Senators are making some progress finding new revenue sources.

“We’re not 100 percent there yet, but from the discussions I had with Senators Conrad and Baucus last night we’re getting much closer. My staff has been very much engaged with the Finance Committee staff on this because I sit on both the Ag and Finance Committees. My staff has been working along side Senator Salazar’s staff as well because he sits on both committees and, of course, Senators Conrad and Baucus sit on both committees, too. There’s been a group of us who have kept the fire burning in terms of the Farm Bill revenue package.”

The table below shows how the House and Senate versions of the farm bill compare over different periods of time, as well as the total spending that’s estimated to be over the baseline.

2007 Farm Bill, H.R. 2419
Title-by-Title Comparison (outlays, millions)

| | House | | | Senate Amendment | | | | |
|-------|------------------------------------|-----------------|-----------------|------------------|-----------------------------------|-----------------|-----------------|-----------------|
| | | 2008-2012 | 2013-2017 | 2008-2017 | | 2008-2012 | 2013-2017 | 2008-2017 |
| I | Commodities | \$ -1,123 | \$ 289 | \$ -834 | Total | \$ -7,341 | \$ 2,863 | \$ -4,478 |
| | | | | | Commodities | \$ -3,976 | \$ 4,005 | \$ 29 |
| | | | | | Specialty Crops | \$ 381 | \$ 7 | \$ 388 |
| | | | | | Crop Insurance | \$ -3,746 | \$ -1,149 | \$ -4,895 |
| II | Conservation | \$ 3,008 | \$ 956 | \$ 3,964 | | \$ 4,671 | \$ -409 | \$ 4,262 |
| III | Trade | \$ 601 | \$ 144 | \$ 745 | | \$ 157 | \$ -191 | \$ -34 |
| IV | Nutrition | \$ 4,205 | \$ 7,245 | \$ 11,450 | | \$ 5,285 | \$ 1,416 | \$ 6,701 |
| V | Credit | \$ -378 | \$ 72 | \$ -306 | | \$ -278 | \$ 72 | \$ -206 |
| VI | Rural Development | \$ 114 | \$ 66 | \$ 180 | | \$ 355 | \$ 45 | \$ 400 |
| VI I | Research | \$ 265 | | \$ 265 | | \$ -106 | \$ -978 | \$ -1,084 |
| VI II | Forestry | \$ 41 | \$ 9 | \$ 50 | | \$ 3 | \$ 3 | \$ 6 |
| IX | Energy | \$ 2,429 | \$ 624 | \$ 3,053 | | \$ 1,020 | \$ 80 | \$ 1,100 |
| X | Horticulture & Organic Agriculture | \$ 548 | \$ 825 | \$ 1,373 | Livestock | \$ 1 | | \$ 1 |
| XI | Miscellaneous | \$ -3,968 | \$ -1,991 | \$ -5,959 | Miscellaneous | \$ -153 | \$ -195 | \$ -348 |
| | Crop Insurance | \$ -4,045 | \$ -1,814 | \$ -5,859 | | | | |
| | Other | \$ 77 | \$ -177 | \$ -100 | | | | |
| XI I | Revenue | \$ -2,235 | \$ -3,890 | \$ -6,125 | Trade & Tax Provisions | \$ 1,665 | \$ 766 | \$ 2,431 |
| | | | | | Revenue | \$ 4,967 | \$ 1,271 | \$ 6,238 |
| | SPENDING ABOVE BASELINE 1/ | \$ 5,742 | \$ 8,240 | \$ 13,982 | SPENDING ABOVE BASELINE 1/ | \$ 5,271 | \$ 3,465 | \$ 8,736 |

1/ Totals do not include offset revenues and represent spending above baseline before the tax provisions in the House and Senate bills are applied.

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