



USDA issues list of farm bill offsets and required reforms

Administration signals willingness to accept \$500,000 AGI

By Sara Wyant, Editor

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In a document sent to the House and Senate Agriculture Committees, USDA officials signaled their willingness to support up to \$10 billion in spending over the Congressional Budget Office (CBO) baseline, but only if lawmakers agreed to a lengthy list of reforms and agreed not to include tax increases, timing shifts and to meet other spending parameters. The document details the administration's willingness to **accept a higher adjusted gross income (AGI) limit of \$500,000, rather than the \$200,000 level that they had previously endorsed.** The paper also includes the list of potential offsets that the Bush Administration would find acceptable, including sales of public lands and changes in Medicare reimbursement for supplies, such as the rental and purchase of oxygen tanks.

"The Administration is willing to consider up to \$10 billion above baseline, if the agreement contains significant program reforms over and above the House proposal dated Feb. 12 and contains the program reforms listed below," noted the document, which Agri-Pulse obtained this morning. "This total must include the cost of any companion measure and would specifically include disaster assistance funding as well as any provisions within jurisdiction of the Ways and Means/Finance Committees."

The bill must not include revenue increases including those labeled as tax compliance initiatives. Tax revenue should not be made available for the sole purpose of increasing government spending. Any agreement must also eliminate budget gimmicks, including, but not limited to, shifting payments outside the budget scoring window, unrealistically terminating new programs and benefits in individual years, or requiring directed scoring.

The document says that the "final farm bill agreement must include real program payment reform based on the items listed below:"

Payment Limitations: The current Adjusted Gross Income (AGI) limitation must be lowered and include a hard cap at no more than \$500,000, rather than the \$200,000 the Administration had originally proposed.

Commodity Support Programs: Loan rates, target prices and MILC payment rates should not be increased above current law. The final agreement must also eliminate new subsidy programs and exclude commodity storage payments

Beneficial interest: The Marketing loan program must be reformed by eliminating provisions that allow producers to lock in subsidy levels, only to hold and sell at a higher market prices.

Revenue-Based Countercyclical Program: The current price-based countercyclical program should be replaced with a revenue-based program that better targets farm support, includes a revenue guarantee cap and does not duplicate crop insurance assistance.

Dairy Support Program: The Department of Agriculture must continue to have the authority to adjust dairy component prices ("tilt") to limit build-up of Commodity Credit Corporation (CCC) dairy stocks.

Sugar Support Program: The final agreement must eliminate the sugar to ethanol program, as well as the requirement that allotments not be less than 85 percent of the estimated quantity of sugar for domestic human consumption. Under the proposed sugar to ethanol program, the Department of Agriculture would not be permitted to dispose of excess sugar through uses other than ethanol production, even if those uses would reduce taxpayer costs.

Crop Insurance: Crop insurance companies should not be permitted to collude during the renegotiation of the standard reinsurance agreement.

Elimination of Planting Restrictions: Fruit and vegetable planting restrictions should be lifted to eliminate any question that direct payments are "green box" in the light of recent World Trade Organization (WTO) rulings.

Food Aid Flexibility: Any final agreement must include the Administration's proposal authorizing up to 25 percent of P.L. 480 Title II food aid assistance for local purchase. In addition, any requirement restricting emergency food aid must be eliminated. This restriction will cut off U.S. food aid to up to eight million people, significantly underpinning the ability of the U.S. to save lives in emergency situations.

Miscellaneous Provisions: The Administration strongly opposes a number of miscellaneous provisions including, but not limited to, fees related to previously negotiated leases for OCS, expansion of the Davis-Bacon Act, proposals to restrict States' ability to competitively source Food Stamp Program functions and alterations to current sanctions and restrictions related to Cuba.

Listed below you'll find USDA's Farm Bill offset options (in no particular order)

Provision	5-Year Savings (\$B)	10-Year Savings (\$B)
Extend SSI web-based demonstration project to Medicaid (§817)	-1.2	-4.3
Repeal oil and gas R&D program for "deepwater drilling"	-0.2	-0.3
Extend FCC's current law authority to auction spectrum	-0.4	-1.4
Clarify authorization for auctions of licenses for domestic satellite services	-0.3	-0.3
Allow more health plan choices in FEHB	-1.2	-3.7
DOI: Share lease revenue 50/50 with states while deducting 2% for admin costs	-0.2	-0.5
BLM Land sales	-0.2	-0.3
Terminate BLM range improvement fund	--	-0.1
Recover Pick-Sloan project cost	-0.1	-0.2
Recover UI overpayments	-1.7	-3.6
End overpayments in Medicare to supplies of equipment (§609)	-3.0	-6.8
Reform federal employees compensation act	-0.1	-0.3
Treasury: Modernize Cash investment practices		-0.1

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