



January 28, 2014

Honorable Frank D. Lucas  
Chairman  
Committee on Agriculture  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

CBO has prepared an estimate of the effects on direct spending and revenues of the conference agreement on H.R. 2642, the Agricultural Act of 2014, as reported on January 27, 2014. The legislation would authorize agricultural, nutrition, and other programs over the 2014-2018 period.

### **Estimated Budgetary Effects**

CBO estimates that direct spending stemming from the programs authorized by the conference agreement would total \$956 billion over the 2014-2023 period, of which \$756 billion would be for nutrition programs. Relative to spending and revenues projected under CBO's May 2013 baseline, CBO estimates that enacting the conference agreement would lower budget deficits by \$16.6 billion over that 10-year period.<sup>1</sup>

Further details of CBO's estimate are displayed in the enclosed tables:

- Table 1 summarizes CBO's estimate of changes in direct spending and revenues for each year over the next 10 years;
- Table 2 provides estimates of changes in direct spending and revenues for each title of the legislation;

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1. Because legislation to authorize agricultural programs was passed by the House and Senate during the first session of the 113th Congress, CBO has prepared this cost estimate for the conference agreement relative to its May 2013 baseline estimates. That baseline incorporates the assumption that provisions of the 2008 agriculture bill (Public Law 110-246) continue to operate indefinitely. (Authority to operate most of those programs expired in October 2013.) Use of the May 2013 baseline follows the long-standing CBO convention of using a consistent baseline to determine the cost of legislation begun in one session of a Congress but not completed until the early months of the second session of the same Congress.

- Table 3 shows CBO's estimates of the direct spending that would result from each title;
- Table 4 displays estimates of changes in direct spending and revenues for specific provisions within the various titles of the conference agreement; and
- Table 5 compares the estimates for the Senate- and House-passed legislation with the estimate for the conference agreement.

Most spending under the legislation would stem from provisions regarding nutrition (title IV), crop insurance (title XI), commodity programs (title I), and conservation programs (title II). Details about such provisions are included in CBO's previous cost estimates for earlier versions of this legislation.<sup>2</sup>

This estimate does not include the additional discretionary spending for agricultural programs that would result from implementing the conference agreement; such spending would be subject to future appropriation actions. CBO also has not reviewed the conference agreement for intergovernmental or private-sector mandates.

### **Changes in Estimated Budgetary Effects in the Conference Agreement**

CBO estimates that the conference agreement would reduce direct spending by \$16.5 billion and increase revenues by \$0.1 billion over the 2014-2023 period, relative to CBO's May 2013 baseline. By comparison, we estimated that the Senate-passed bill (S. 954) would reduce direct spending by \$17.7 billion and increase revenues by about \$50 million over the same period. Over that period, we estimated that the House-passed bill (H.R. 2642, as modified by H. Res. 361) would reduce direct spending by \$51.8 billion and increase revenues by about \$60 million.

The largest differences in the estimated costs of the three pieces of legislation would stem from differences in provisions of title I (commodities), title IV (nutrition), and title XI (crop insurance), as described below.

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2. See CBO cost estimates for S. 954, the Agriculture Reform and Risk Management Act of 2013, <http://www.cbo.gov/publication/44248>; H.R. 1947, the Agriculture Reform and Risk Management Act of 2013, <http://www.cbo.gov/publication/44271>; H.R. 2642, the Federal Agriculture Reform and Risk Management Act of 2013, <http://www.cbo.gov/publication/44414>; and H.R. 3102, the Nutrition Reform and Work Opportunity Act of 2013, <http://www.cbo.gov/publication/44583>.

**Title I—Commodities.** CBO estimates that enacting title I would reduce spending on commodity programs by \$14.3 billion over the 2014-2023 period, \$3 billion to \$4 billion less than under the House- and Senate-passed bills. The conference agreement, as well as both the House and Senate bills, would end fixed payments and certain other existing forms of price and income support to producers. They would all establish new programs that would require producers to choose between price supports or a guarantee of some of their expected revenue.

**Title IV—Nutrition.** Title IV of the conference agreement would reduce nutrition spending by \$8 billion over the 2014-2023 period, CBO estimates. The House-passed bill would reduce such spending by \$39 billion over the 10-year period. It includes two provisions not contained in the conference agreement that would reduce spending on the Supplemental Nutrition Assistance Program (SNAP) by restricting the definition of categorical eligibility for the program and reducing the number of waivers from work requirements available for certain adult SNAP recipients. The Senate-passed bill would reduce nutrition spending by \$4 billion over the next 10 years, about half the reduction in the conference agreement. It contains a proposal to limit heating and cooling allowances for SNAP participants that is less restrictive than the provision included in the conference agreement.

**Title XI—Crop Insurance.** The conference agreement's provisions on crop insurance would increase costs by \$5.7 billion over the 2014-2023 period, CBO estimates. Total spending for crop insurance over the 2014-2023 period would increase by about \$9 billion under the House-passed legislation and by about \$5 billion under the Senate-passed legislation.

I hope this information is useful to you. If you need further details on these estimates, we would be pleased to provide them. The CBO staff contacts are David Hull, Jim Langley, Kathleen FitzGerald, Emily Stern, Dan Hoople, Susan Willie, Jeff LaFave, and Megan Carroll.

Sincerely,

*for Robert A. Elmendorf*

Douglas W. Elmendorf  
Director

Enclosures

cc: Honorable Collin C. Peterson  
Ranking Member

Identical letter sent to the Honorable Debbie Stabenow.