What the 2012 Elections Mean for Agriculture, Food and Rural Policies: Budget Issues

A Presentation by:

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Whither the Budget (and the Next Farm Bill)?

A "Status Quo" Election Relative to Retaining the Presidency and House and Senate Majorities

- **President Obama Re-elected**
  - 62.1 mil. (51.4%) popular votes
  - 332 (61.7%) of electoral votes
- **Democrats Retain Senate Majority**
  - Democrats gain 2 seats
  - 113th Congress: 55 Expected in Democratic Caucus = 53 Democrats + 2 Independents. 45 Republicans.
- **Republicans Retain House Majority**
  - Democrats definitely gain 2 - 5 seats (depending on benchmark) and likely 1 - 6 more (6 districts unresolved with Democrats narrowly leading in all 6.)
  - 113th Congress: Resolved: 234-R. 195 D. = 429
  - 112th Congress: 2010 Election: 242-R. 193-D.
    - Pre- 2012 Election: 240-R. 190-D, 5 vacant.

But, Hopefully, Not A "Status Quo" Legislative and Budget Outcome in the Lame Duck.

The 112th Congress:

"The Least Productive Body In a Generation"

"The 112th Congress is set to enter the Congressional record books as the least productive body in a generation, passing a mere 173 public laws as of last month. That was well below the 906 enacted from January 1947 through December 1948 by the body President Harry S. Truman referred to as the "do-nothing" Congress, and far fewer than even a single session of many prior Congresses."

- Jennifer Steinhauer -

- New York Times. September 18, 2012 -

The Real 2012 Election "Mandate"(?): Red and Blue Stop Fighting for Partisan Advantage and Work Together.

Unfinished Business (for the Lame Duck?): The Fiscal Cliff

- **BCA Sequestration cuts**. Start January 2, 2013.
  - $110 billion cut in non-exempt programs for FY 2013:
  - Half from Defense; half from Non-Defense.
- **Bush Tax Cuts**. Expire Dec. 31, 2012,
  - Income Tax Rates: Increase from 10%, 15%, 25%, 28%, 33%, 35% to 15%, 28%, 31%, 36%, 39.6%.
  - Capital Gains Rate: Increase from 15% to 20%.
  - Estate Tax. Exemption decreases from $5 million to $1 million. Top rate increases from 35% to 55%. (Pre-2001 levels.)
  - Dividends: Increase from 15% for most to top income tax rate.
  - Other expiring provisions: Child tax credit (halved and no longer refundable), Marriage penalty relief, various tax benefits for education, retirement savings, and low-income individuals.
- **Alternative Minimum Tax (AMT) annual patch**. **Expired Dec. 31, 2011.**
  - Exemption for individuals falls from $50,600 to $33,750; for married couples from $78,750 to $45,000.
  - Without retroactive 2012 patch, 30 mil. will pay AMT--up from 4 mil.

Unfinished Business for the Lame Duck? The Fiscal Cliff

- **Job / Unemployment Measures**: Expire Dec. 31, 2012.
  - Payroll taxes rise from 4.2 % to statutory 6.2% on first $110,000 in income.
  - Number of weeks of unemployment benefits reduced.
- **Medicare Doc Fixes**. Expire Dec. 31, 2012.
  - Medicare payments to physicians decline by 27%
- **Tax Extenders.** **Expired Dec. 31, 2011.**
  - Various tax breaks have periodically been reauthorized.
  - Examples: the research and experimentation tax credit and state and local sales tax deductions expired at the end of 2011. If not reinstated retroactively for 2012, they will disappear.
- **U.S. Debt Ceiling**. Will reach at end of 2012.
  - Less money available for “extraordinary measures” than in 2011.
- **Farm Bill**. A number of provisions expired Sep 30, 2012.
  - Full Farm Bill as Budget Offset for Fiscal Cliff Costs?
  - If Extension only, how much deficit reduction will be required?

Sources: Committee for a Responsible Federal Budget. CNN Money.

The Lame Duck

Hold Steady (Despite the Ups and Downs of Negotiations) and Reach Agreement?

The Lame Duck
Or Crash Landing?

The Ag Committees' Two <u>Must-Pass</u> Lame Duck Provisions

1. **Reauthorize the authority to operate and/or funding for programs with out-year baselines whose authority to operate or funding expired on September 30, 2012.**
   - Unless authority to operate and funding are restored for these programs before CBO releases its January 2013 baseline, these programs will lose their out-year baseline funding.
   - With out-year baseline funding, there is no cost to continue these programs in a new farm bill (as long as their provisions don't change).
   - Without out-year baseline funding, extra funding will be needed to offset the costs of continuing these programs.
   - Programs affected include selected trade and conservation programs among others.
   - Most provisions of the 2008 farm bill were extended six times to avoid this possibility.

The Ag Committees' Two <u>Must-Pass</u> Lame Duck Provisions (Cont.)

2. **Continue suspensions of permanent law provisions for the 1938 and 1949 acts for dairy and other commodity programs.**
   - If commodity programs are not reauthorized before their 2012 crop year authorizations expire, outdated permanent law provisions of the 1938 and 1949 acts (including acreage allotments and marketing quotas based on 1950s farm-level production and parity-based loan rates) will take effect. These provisions are totally inappropriate for today's global markets.
   - On January 1, 2013, permanent law provisions will raise price support for milk to $38 per cwt. when the current dairy price support program expires on December 31, 2012.
   - Other crops would have significant increases in price support as each crop's 2013 harvest begins.
   - Without suspending these provisions, following permanent law would disrupt world markets and lead to WTO and other problems.

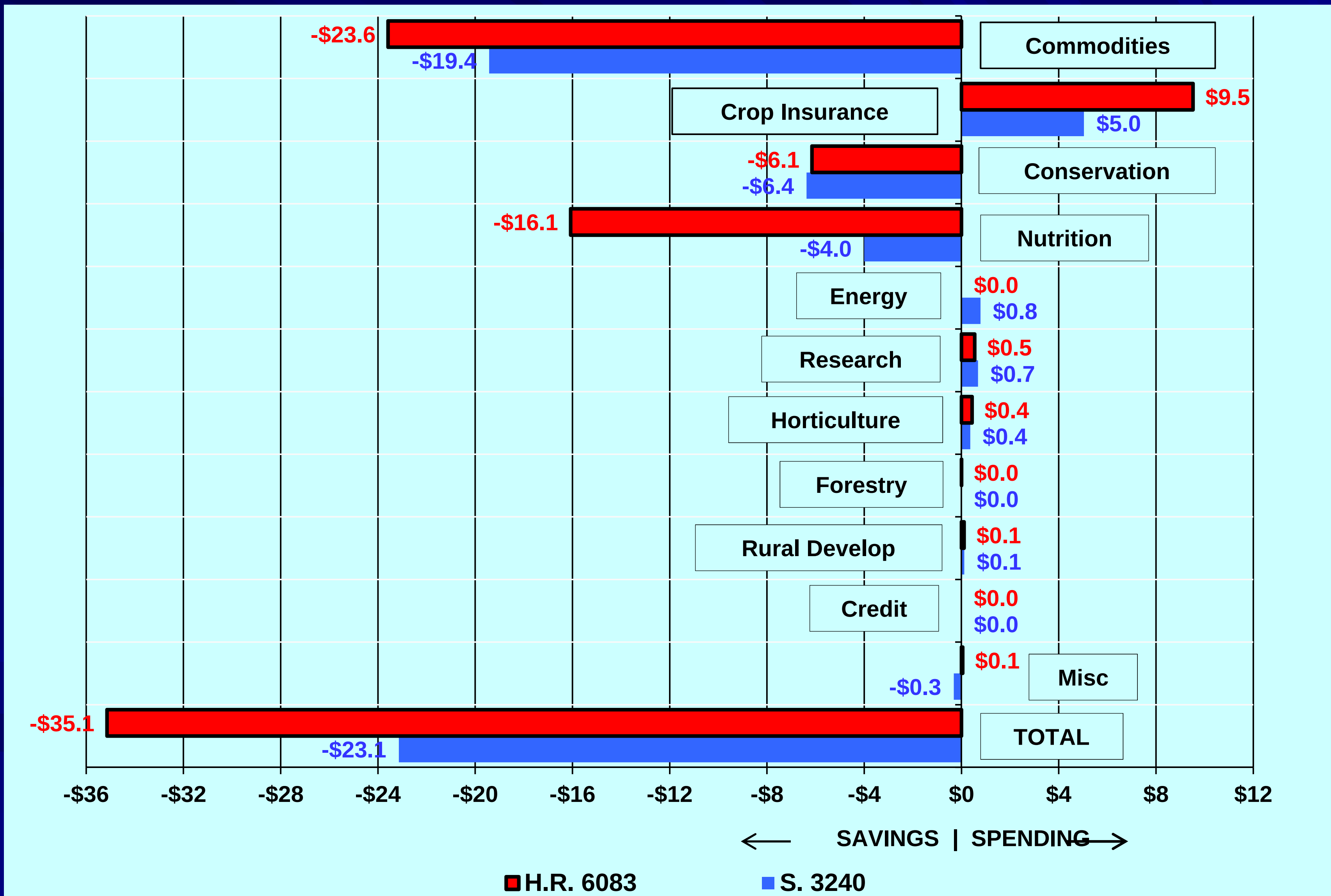
How Long Will it Take to Reconcile the Senate Passed and House Ag Comm. Reported Farm Bills?

- Major differences are “Member Issues”
- SNAP (Food Stamps)
  - Should SNAP benefits be available only to those who qualify for SNAP under SNAP income and asset requirements or should receipt of benefits under other social welfare programs automatically qualify people for SNAP benefits?
  - Should receipt of even minimal government utility allowances increase the amount of deductions from income used to determine if people meet SNAP income requirements.
- Title 1 Commodity Programs
  - Shallow vs. Deeper Losses and Coverage Ranges
  - Price vs. Revenue
  - Farm vs. County Coverage
  - Fixed vs. Variable Payment thresholds
- NOTE: The Committees moved quickly when faced with the perceived need to meet the Supercommittee Deadline

H.R. 6083 saves $12 billion more over ten years than S. 3240.

$ Billion by Farm Bill Title

Change in FY 2013-22 Outlays Relative to the CBO March 2012 Baseline.



BCA Sequestration

- BCA Sequestration calls for 9 years of budget cuts with FY 2013 being the first fiscal year.
- Absent changes in current law, on January 2, 2013, baseline funding for non-exempt FY 2013 programs will be reduced by about $110 billion.
- Half of the reductions ($55 billion) will come from Defense programs and half ($55 billion) will come from non-Defense programs.
- With the exception of SNAP, CRP, Crop Insurance, and a few other programs, most agricultural programs are subject to sequestration reductions in program spending.

OMB: FY 2013 Sequestration for USDA. $ Million. Budget Authority

		% Reduce	Seq. $
Mandatory Accounts #	$13,838	- 7.6%	- $1,052
Discretionary Accounts	$23,774	- 8.2%	- $1,944
Total Ag Related	$37,612	----	- $2,966

 # Special Rules for CCC move some CCC sequestration costs into FY 2014. These costs do not show up on this FY 2013 table.

OMB: FY 2013 Sequestration for USDA: Mandatory Accounts. Budget Authority: $ Million

MANDATORY ACCOUNTS	Total Costs	Exempt Base	Sequest. Base	% Reduce	Seq. $
SNAP (Food Stamps)	87,413	- 87,305	= 108	- 7.6%	- 8
Child Nutrition Programs	19,713	- 19,656	= 57	- 7.6%	- 4
Commodity Credit Corporation #	19,175	- 13,005	= 6,170	- 7.6%	-469
Federal Crop Insurance Fund	13,485	- 13,427	= 58	- 7.6%	-4
Farm Security & Rural Invest Conservation Programs	3,019	-27	= 2,892	-7.6%	-220
Ag Disaster Relief Fund	1,372	-0	= 1,372	- 7.6%	-104
Section 32	1,082	-1	= 1,081	- 7.6%	-82
Tobacco Trust Fund	960	- 0	= 960	- 7.6%	-73
Forest Service Permanent Appropriation	517	--6	= 511	- 7.6%	-39
Other USDA Mandatory					- 49
Total Mandatory Accounts					- 1,052

 # Special Rules for CCC move some CCC sequestration costs into FY 2014. These costs do not show up on this FY 2013 table.

OMB: FY 2013 Sequestration for USDA Accounts. Discretionary Accounts. Budget Authority: $ Million.

DISCRETIONARY ACCOUNTS	Total Costs	Exempt Base	Sequest. Base	% Reduce	Seq. $
WIC (Women, Infants, Children)	6,618	- 0	= 6,618	- 8.2%	-543
Wildlife Fire Management	2,110	- 7	= 2,103	- 8.2%	-172
National Forest System	1,630	- 55	= 1,575	- 8.2%	-129
FSA Salary & Expenses	1,596	- 397	= 1,199	- 8.2%	-98
Food for Peace Title II Grants	1,466	- 0	= 1,466	- 8.2%	-120
ARS Salaries & Expenses	1,222	- 127	= 1.095	- 8.2%	-90
FSIS Salaries & Expenses	1,157	- 108	= 1,049	- 8.2%	-86
APHIS Salaries & Expenses	971	- 104	= 867	- 8.2%	- 71
Rural Housing: Rent Assist Prog	905	- 0	= 905	- 8.2%	-74
NRCS Conservation Operations	868	- 31	= 837	- 8.2%	-69
NIFA Research & Education	719	- 9	= 710	- 8.2%	-58
Rural Dev Salaries & Expenses	629	- 447	= 182	- 8.2%	-15
NIFA Extension Activities	525	- 50	= 475	- 8.2%	-39
Other USDA Accounts					-380
Total Discretionary Acct.					- 1,944

If a Farm Bill is Not Passed in the Lame Duck

Since the 112th Congress ends in 2012 and a new 113th Congress begins in January, 2013, the Senate and House ag Committees will need to, at the very least, reintroduce their farm bills--and may need to make significant modifications depending on election results or other factors.