

ISSUE BRIEF

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Eight Things to Watch for in the Farm Bill

By *Daren Bakst and Rachel Sheffield*

The House and Senate are working out differences between their farm bills.¹ Since both bills are seriously flawed, any bill that the negotiators produce is also likely to have major problems. The following is a list of major questions to consider if the negotiators do come up with a farm bill.

1. Will Congress Continue to Play Politics with the Farm Bill by Combining Food Stamps with Farm Programs? For decades, Congress has combined food stamps with agriculture programs in the farm bill for political reasons. Ranking member of the Senate Agriculture, Nutrition, and Forestry Committee Thad Cochran (R-MS) has argued that the farm bill should include food stamps “purely from a political perspective. It helps get the farm bill passed.”²

The only way to get policy reform for either food stamps or agriculture programs is to separate the programs into two bills. If they remain combined, legislators who would otherwise seek reform will decide to stay quiet in order to maintain the status quo for their favored programs.

At the very least, a new farm bill should have staggered terms so that food stamps and agriculture programs would be reauthorized for different lengths of

time. This would effectively separate the programs in the future, making reform far more likely. The House bill does stagger the programs.³

2. Will Food Stamp Reform Be Fiscally Responsible or Irresponsible? Food stamp spending is spiraling out of control. In 2012, food stamp costs were roughly \$80 billion. This is quadruple the cost in 2000 (\$18 billion) and double the cost in 2008 (\$39 billion).⁴

Despite this massive growth, the Senate would cut one-half of 1 percent from the projected costs, or 10 times less than the House’s modest 5 percent reduction.⁵ Even under the House bill, food stamp spending would remain at or near record highs into the foreseeable future.

The Congressional Budget Office (CBO) identified policy options that would lead to \$50 billion—even more than the House proposes—in food stamp savings.⁶ While CBO does not recommend any particular option, the reforms it presents are worthy of congressional consideration.

A farm bill that does not include even the House’s modest reduction would be fiscally irresponsible. It would also mean that the House rejected real reform and settled for the Senate’s unrealistic and irresponsible food stamp agenda.

3. Will Congress Continue to Promote Dependency Instead of Empowering Americans? When President Clinton signed the 1996 welfare reform bill, he quoted President John Kennedy, stating:

Work is the meaning of what this country is all about. We need it as individuals. We need to sense it in our fellow citizens, and we need it as a society and as a people.⁷

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A work requirement is the most important piece of food stamp reform. Yet, currently, the food stamp program does not require recipients to work or look for work. Able-bodied adults should be required to work, prepare for work, or look for work in exchange for receiving food stamps. Not surprisingly, the public overwhelmingly supports work requirements. A 2012 Rasmussen survey, for example, shows that 83 percent of Americans agree that welfare recipients should be required to work.⁸

While the House bill takes steps toward promoting work, the Senate bill does nothing. The issue is whether the federal government should empower food stamp recipients through work, as it has through the Temporary Assistance for Needy Families program, or continue to support a one-way hand-out that promotes government dependency.

4. Will Congress Turn a Blind Eye to Food Stamp Abuses? Problematic loopholes are undermining the integrity of the food stamp program. Addressing the obvious problems would help focus the program on helping those for whom the program is intended.

Hysteria often accompanies any reform that would take people off the food stamp rolls. However, if some people should not receive food stamps in the first place, then taking them off the food stamp rolls is beneficial to those in need and to the integrity of the program. As the Government Accountability Office (GAO) stated in a 2010 report on food stamps:

As current fiscal stress and looming deficits continue to limit the amount of assistance available to needy families, it is more important than ever that scarce federal resources are targeted to those who are most in need and that the federal government ensure that every federal dollar is spent as intended.⁹

The problem is that the money is not being spent as intended. Under a policy known as “broad-based categorical eligibility,” a person can walk into a food stamp office, receive a brochure for another welfare program, and automatically be eligible for food stamps. Because of this policy, in the majority of states, food stamp applicants are allowed to bypass asset tests. This means that a person who is unemployed but has \$100,000 in savings, for example, can still be eligible for food stamps.

States are also undermining the food stamp program with a loophole dubbed “Heat and Eat.” Food stamp households that receive Low Income Home Energy Assistance Program (LIHEAP) benefits can be eligible for a greater amount of food stamps, so states have been mailing out LIHEAP checks as small as \$1 to trigger the higher federal benefits. Because the vast majority of food stamp costs are paid for by federal taxpayer dollars, states are aiding and abetting irresponsible federal spending without accountability.

The House bill eliminates broad-based categorical eligibility; the Senate bill is silent on the matter.

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1. The latest House bill is the Federal Agriculture Reform and Risk Management Act of 2013 (H.R. 2642), passed on September 28, 2013. The latest Senate bill is the Agriculture Reform, Food, and Jobs Act of 2013 (S. 954), passed on June 10, 2013.
 2. Jerry Hagstrom, “Food Stamps Are Key Component to Getting Farm Bill Passed,” *National Journal*, April 10, 2013, <http://www.nationaljournal.com/daily/food-stamps-are-key-component-to-getting-farm-bill-passed-20130410> (accessed December 2, 2013).
 3. See, e.g., H.R. 2642, §4024, one provision that addresses the three-year authorization. See also Congressional Budget Office, “H.R. 3102, Nutrition Reform and Work Opportunity Act of 2013,” September 16, 2013, <http://www.cbo.gov/publication/44583> (accessed December 2, 2013).
 4. Congressional Budget Office, *Budget of the United States Government*, Fiscal Years 2002, 2010, and 2014.
 5. Congressional Budget Office, cost estimate for Agriculture Reform and Risk Management Act of 2013 (S. 954), http://cbo.gov/sites/default/files/cbofiles/attachments/s954_StabenowLtr_0.pdf (accessed December 2, 2013).
 6. Congressional Budget Office, *Options for Reducing the Deficit: 2014 to 2023*, November 2013, http://www.cbo.gov/sites/default/files/cbofiles/attachments/44715-OptionsForReducingDeficit-2_1.pdf (accessed December 2, 2013).
 7. CNN/Time, “Clinton Signs Welfare Reform Bill, Angers Liberals,” August 22, 1996, <http://cgi.cnn.com/ALLPOLITICS/1996/news/9608/22/welfare.sign/> (accessed December 2, 2013).
 8. Rasmussen Reports, “83% Favor Work Requirement for Welfare Recipients,” July 18, 2012, http://www.rasmussenreports.com/public_content/business/jobs_employment/july_2012/83_favor_work_requirement_for_welfare_recipients (accessed December 2, 2013).
 9. Kay E. Brown, U.S. Government Accountability Office, *Supplemental Nutrition Assistance Program, Payment Errors and Trafficking Have Declined, but Challenges Remain*, testimony before the Subcommittee on Department Operations, Oversight, Nutrition, and Forestry, Committee on Agriculture, U.S. House of Representatives, GAO-10-956T, July 28, 2010, <http://www.gao.gov/assets/130/125135.pdf> (accessed on December 2, 2013).

The House and Senate bills both address the Heat and Eat loophole, but at different levels.¹⁰

5. Will Congress Avoid Dealing with Controversial Programs in the Future? The House included language in its farm bill that would extend the sugar program, which is filled with price-distorting subsidies, for an indefinite period of time. The House also took this same action for two new programs, one covering farmers' shallow (minor) losses and one that provides payments to farmers when commodity prices fall below target prices in statute.¹¹

Most agriculture programs are authorized for five years so Congress can revisit them and make changes when necessary. By making the sugar program (which was almost reformed this year in both chambers) "permanent law," Congress would find it easier to avoid addressing it. Congress could also more easily avoid dealing with the new shallow-loss and target price programs, even though their impact is unknown.

6. Will Taxpayers Get Stuck with Massive Liability While Wealthy Farmers Get Almost Unlimited Protection? The amount of subsidies provided in the new shallow-loss and target price programs are contingent on commodity prices. If prices collapse, taxpayers are on the hook. On the other hand, farmers would enjoy almost unlimited risk protection. These risky programs to taxpayers should not be added to the farm bill.

At a minimum, there needs to be some type of cost cap so that taxpayers are not stuck with massive liability. Unlike the Senate bill, the House bill does include such a cap.

7. Will Congress Continue to Artificially Drive Up Food Prices? Ironically, while some in Congress want to spend more on food stamps so people can afford food, many legislators are pushing policies that make food less affordable, especially to those most in need.

The sugar program may be the best example of a centrally planned price-distorting program. The federal government restricts the amount of sugar that can be sold in the country and limits imports, thus driving up sugar prices. Domestic sugar prices have generally been at least two to three times world prices.¹²

Higher food prices hurt low-income individuals the most, because a greater share of their income goes to purchasing food. Neither the House nor Senate bills reform the sugar program or other prominent programs that drive up food prices.

8. Will Congress Continue to Make President Obama Look Fiscally Responsible When It Comes to Reforming the Costliest Farm Program, Crop Insurance? According to GAO, from 2000 to 2006, the average annual cost of crop insurance was \$3.1 billion. This number more than doubled to \$7.6 billion per year from 2007 to 2012 and will increase to a projected \$8.9 billion per year from 2013 to 2022.¹³

While President Obama is proposing to cut about \$12 billion from the crop insurance program, both bills would expand it and drive up taxpayer costs.¹⁴ Generally, neither bill makes even modest reforms, such as a cap on the total amount of subsidies that help farmers pay for insurance premiums.

10. See Daren Bakst and Rachel Sheffield, "A Comparison of the House and Senate Farm Bills," *Heritage Foundation Issue Brief* No. 4062, October 8, 2013, <http://www.heritage.org/research/reports/2013/10/sound-farm-bill-separate-agriculture-policy-and-food-stamps>.

11. For the sugar program (H.R. 2642, § 1301), the permanent law is created by covering "each succeeding crop year" rather than setting a final year. Similar language exists for shallow-loss (revenue loss coverage) and target price programs (price loss coverage) in § 1107 of the bill.

12. See Daren Bakst, "Should Government Restrict the Candy Supply?," *The Heritage Foundation, The Foundry*, <http://blog.heritage.org/2013/10/31/should-government-restrict-the-candy-supply/>.

13. U.S. Government Accountability Office, *2013 Annual Report: Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, GAO-13-279SP, April 2012, p. 158, <http://www.gao.gov/assets/660/653604.pdf> (accessed December 2, 2013).

14. See Daren Bakst, "House Farm Bill Would Outspend Obama on Most Expensive Farm Program," *The Heritage Foundation, The Foundry*, <http://blog.heritage.org/2013/06/19/house-farm-bill-spends-more-than-obama-on-most-expensive-farm-program/>. The projected costs for the Senate bill can be found here: <http://www.cbo.gov/publication/44248> (accessed December 3, 2013). While a modest amendment was passed that would reduce the projected \$5 billion in crop insurance costs in the Senate bill, the projected savings from the amendment are only \$1.1 billion over 10 years. See Office of Senator Tom Coburn (R-OK), "Durbin-Coburn Crop Insurance Reform Amendment Reduce Premium Support to Farmers with an AGI over \$750,000," http://www.coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=611b5b58-e749-4639-a83e-edca8756eada (accessed December 2, 2013).

The Senate bill does have a very minor reform that would reduce premium subsidies for farmers with adjusted gross income of \$750,000 or higher. However, even this reform may be illusory. It would apply only if the Agriculture Secretary determines that this reform would not require farmers with adjusted gross incomes of less than \$750,000 to pay more for insurance, among other potential effects.¹⁵

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15. The subsidy reduction does not apply unless the Agriculture Secretary determines that a mandated study shows “that the limitation would not significantly increase the premium amount paid by producers with an average adjusted gross income of less than \$750,000; result in a decline in the crop insurance coverage available to producers; and increase the total cost of the Federal crop insurance program.” The first requirement in particular is extremely subjective. For example, there is no clarification as to what it means for the limitation to “significantly” increase the premium. S. 954, § 11033.
