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THE FARM BILL 'GRAND DESIGN'
IS THIS WHAT PAYGO REALLY MEANS?

25 July 2007

The Agriculture Committee's Farm Bill (H.R. 2419), scheduled for the floor this week, contains a massive dodge around the Democrats' own pay-as-you-go [PAYGO] rule - one that is likely to get much worse if the Majority carries through with its apparent grand design to double the Farm Bill's total spending increase. Here's the story:

Table with 2 columns: Description and 10 Years. Rows include Gross Cost - H.R. 2419 as Reported (\$14.2 Billion), Real Spending Cuts (-\$8.5 Billion), Phony Timing Shifts (-\$4.7 Billion), Non-Scoreable Offsets (-\$0.4 Billion), Actual Net Costs - H.R. 2419 as Reported (\$5.7 Billion), Planned Additional Spending (En Bloc Amendment) (\$16.9 Billion), and Additional Offsets (e.g. tax increases, recycled fees, other?) (??).

The Bill as Reported - Fails to Fully Offset Its Spending. As reported last week by the Agriculture Committee, the bill increases gross spending by \$14.2 billion over 10 years. It also claims about \$13.6 billion in offsets for this spending. But a closer look shows these offsets (see table above) are less than meets the eye:

- Real Spending Cuts. A total of \$8.5 billion in offsets are real spending cuts - provisions that the Congressional Budget Office [CBO] scores as legitimate savings.
- Phony Timing Shifts. But \$4.7 billion in alleged offsets appear because the reported bill claims "savings" by delaying direct payments, countercyclical payments, and payments to crop insurers; and making early collections of crop insurance premiums. But in a letter dated 17 July 2007, CBO conceded these timing-shift savings are illusory: "All of those outlays would ultimately occur in subsequent years." In other words, a third of the net spending increase is offset by phony savings - violating the spirit of the House PAYGO rule.
- Non-Scoreable Savings. In addition, the reported bill takes credit for about \$400 million in savings from provisions aimed at detecting fraudulent payments. Under CBO's usual guidelines, these "savings" would not be counted - but CBO

says, in its cost estimate for the bill, that it was *directed* to give the Agriculture Committee credit for them.

In short, *if the phony and non-scoreable offsets are excluded, the bill's actual net spending increase is \$5.7 billion.* Because this amount is not truly offset, the bill *as reported* makes a sham of the Majority's celebrated PAYGO rule.

- **The Grand Design - Double the Spending Increase.** *But the Majority apparently also plans to jam through an additional \$16.9 billion in spending increases on the floor – described in CBO's cost estimate as an “en bloc amendment.”* The Agriculture Committee has not provided offsets for these spending increases – which begs the question of where the offsets (if any) will come from:
 - Will the Majority recycle fees from the Energy Bill?
 - Will they ask the Ways and Means Committee to raise taxes that could abrogate trade treaties and discourage investment in the United States?
 - Or will they just patch together other gimmicks that provide only illusory savings?

- **Is the Majority Serious About PAYGO?** The Majority's PAYGO rule is flawed – but the question with the farm bill is whether the Majority will stick with its own claimed commitment to fiscal discipline – or will the Farm Bill prove that PAYGO is just another empty promise?