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THE FARM BILL 'GRAND DESIGN'

IS THIS WHAT PAYGO REALLY MEANS?

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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:

	10 Years
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**
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?