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Pitched Battle for GMO Labeling Continues

In 2013, the ongoing battle between those wanting to know more about the food they're eating and large agribusiness interests has escalated. [Twenty-five state legislatures](#) have introduced bills either requiring labeling of genetically modified organisms (GMOs) or specifically prohibiting such labels. In June, Connecticut became the first state to actually pass [a GMO labeling law](#). Large agribusinesses have fought hard against efforts to require GMO labeling.

Background

The use of genetically engineered crops has increased tremendously over the last decade, but without a corresponding increase in government oversight or regulations. These GMO crops are created when a plant or organism receives genetic material from a different source – sometimes a different species – in a way that would not occur naturally. The most common GMOs in the United States are soybeans, corn, cotton, and canola. Since many processed foods use ingredients derived from such crops (e.g.,

high fructose corn syrup or soy protein), it is estimated that more than half the foods in grocery stores contain GMOs.

With the prevalence of GMOs in the marketplace, people have become increasingly concerned about their effects on human health. Scientific studies show that genetically engineered crops have the potential to cause a variety of adverse health and environmental impacts, including the development of new allergens and toxins, the spread of harmful traits to weeds and non-genetically engineered crops, and harm to animals that consume them.

For example, in 2009, the [American Academy of Environmental Medicine](#) highlighted several animal studies showing serious health risks associated with GMO food, including infertility, immune problems, accelerated aging, faulty insulin regulation, and changes in major organs and the gastrointestinal system. In addition, [tests](#) have shown that genetically engineered crops can spread allergies. The study found that an allergen from a type of Brazilian nut had been transferred to soybeans. Therefore, those with nut allergies could experience an allergic reaction to foods that use the genetically engineered soybeans.

Grassroots action for labeling bills began building after November 2012, when a ballot initiative in California was defeated. The initiative, Proposition 37, would have required GMO labeling for products sold in the state. Labeling activists blamed a \$45 million campaign against labeling by agriculture and food industry groups, such as Monsanto, for the failure of the referendum. This defeat led food safety activists across the country to start organizing in their own states through social media.

Connecticut Makes Legislative History on GMOs

Although there have been several bills introduced requiring GMO labels in state legislatures in the past few years, on June 25, Connecticut became the first state to establish such a law. The bipartisan HB 6527 requires food manufacturers to include information on labels indicating whether their products include GMOs. The bill passed both chambers by a landslide.

But, despite it being landmark legislation, the new law includes many caveats that water down right-to-know provisions. These loopholes were introduced after an intense lobbying [campaign](#) aimed at state lawmakers by Monsanto, a major producer of GMOs, and the Biotechnology Industry Organization, a trade association.

The first caveat is a "trigger clause" that prevents Connecticut's labeling requirements from taking effect until four other states also adopt labeling legislation. In addition, the clause stipulates that at least one of these states must border Connecticut. Further, the combined population of these states must be at least 20 million in order for the law to go into effect. This means that unless several other states in the Northeast pass GMO labeling legislation, the Connecticut law will be moot.

Second, [key food items](#) are exempted from labeling, including food served in restaurants, alcoholic beverages, farm products sold at farmer's markets, and animals that have been fed GMO feedstock. Even if the rest of the Northeast passed GMO labeling legislation, some of the most commonly consumed food items would continue to be unlabeled.

Although activists opposed these caveats, especially the trigger clause amendment, they still consider the legislation a landmark victory. "We're hoping that the clause will end up being a catalyst to encourage other states to join us," [stated](#) Tara Cook-Littman of GMO Free CT.

Since Connecticut passed its legislation, Maine followed suit and passed similar legislation ten days later. Like Connecticut's GMO labeling law, Maine's legislation will not go into effect unless other states follow suit and pass similar measures, including New Hampshire, the only state to share a border with Maine. Other Northeastern states that are already considering GMO labeling legislation include New Hampshire, Massachusetts, [Vermont](#), and New Jersey.

But in New York, [a proposal to require GMO labeling](#) was killed in committee after committee members, including several co-sponsors of the bill, were heavily lobbied. The Council for Biotechnology Information, a trade group whose members include Dow AgroScience, DuPont and Monsanto, coordinated the lobbying campaign.

Demand for Federal Action Intensifies

Efforts to get federal food labeling requirements have not been abandoned at the federal level. A few weeks ago, the U.S. Department of Agriculture (USDA) [approved](#) a non-GMO label claim for meat and liquid egg products. This label tells consumers that the animals' feed is free of genetically modified corn, soy, alfalfa, and other organisms.

This is the first time that the department has approved a non-GMO label, which allows meat producers to verify that their products have met the requirements of a third-party organization's certification program. The [Non-GMO Project](#), which is a nonprofit organization committed to preserving a non-GMO food supply, spent over a year seeking approval for their certification program from the USDA.

In Congress, on June 20, the Senate Appropriations Committee passed a bipartisan amendment to require labeling of genetically engineered salmon, if the U.S. Food and Drug Administration decides to approve the fish. Aquabounty's "AquAdvantage" salmon is the first genetically engineered animal produced for human consumption, with year-round growth hormones that will allow the fish to grow at twice its natural rate. Sens. Lisa Murkowski (R-AK) and Mark Begich (D-AK) added the amendment to the FY 2014 Agriculture Appropriations bill, which passed through the committee by a narrow margin of 15 to 14. The bill is expected to soon pass the full Senate, according to the Center for Food Safety.

Additionally, on April 24, Sen. Barbara Boxer (D-CA) and Rep. Peter DeFazio (D-OR) introduced a bill in both the Senate and House requiring the labeling of foods containing GMOs. The Genetically Engineered Food Right-to-Know Act is the first national labeling bill to be introduced in Congress since 2011. Although it is uncertain whether the bill will pass through committee, the legislation has received the support of nine senators and 22 representatives, as well as over 100 organizations and businesses.

Challenges Remain

Despite public opinion [polls](#) that consistently show [Americans want to know](#) what is in their food and strongly support labeling of foods that containing GMOs, the recent victories come with several challenges and concerns.

First, many state lawmakers are concerned that companies will sue their state for passing GMO labeling laws. Last year, [reports](#) indicated that a Monsanto representative threatened such a lawsuit in Vermont if they passed a labeling bill.

Second, there have been federal efforts to undermine state progress on GMO labeling. Rep. Steve King (R-IA) introduced an interstate commerce protection amendment to the House version of the 2013 Farm Bill that would block states from passing GMO labeling laws. Specifically, the amendment would prohibit states from establishing laws governing agricultural products that are involved in interstate commerce. This would include requiring labels for food produced outside the state.

In May, the U.S. Senate [overwhelmingly rejected](#) an amendment to the Senate version of the 2013 Farm Bill, which would have simply allowed states to enact their own laws requiring the labeling of GMOs. Sen. Bernie Sanders (I-VT) introduced the amendment, which was rejected in a 71-27 vote.

Finally, many fear that the industry may use the free trade agreement being negotiated between the United States and European Union, commonly referred to as the Trans-Atlantic Free Trade Agreement (TAFTA), to undermine efforts to label GMOs. Foreign corporations could use investor protections to sue states that require GMO labeling, if the labeling requirement is called a "barrier to trade." The Office of the United States Trade Representative (USTR) hopes the new trade agreement will remove the European Union's requirements for GMO labeling. Former USTR Ambassador Ron Kirk has [said](#), "Whether it's GMOs or other issues, we want to deal with many of these non-tariff barriers that frustrate our trade."

Key Transparency Fund Threatened Again in House Budget

A key fund for government transparency programs is once again facing cuts. On July 10, the House Financial Services and General Government appropriations subcommittee approved a [bill](#) that provides no funding for the Electronic Government Fund (E-Gov Fund), the driving force behind many recent open government innovations. Instead, the bill merges the E-Gov Fund with another fund and cuts their combined funding level 15 percent from last year.

The E-Gov Fund has supported numerous flagship transparency programs, including [USAspending.gov](#), [Data.gov](#), [Performance.gov](#), and the [IT Dashboard](#). Without sufficient funding, however, upgrades to improve these tools, increase transparency, or improve data quality will have to be delayed or abandoned. The full House Appropriations Committee will consider the measure [on July 17](#).

History of the E-Gov Fund

The E-Gov Fund was created by the [E-Government Act of 2002](#) to support projects that "make Federal Government information and services more readily available to members of the public." The law placed the fund within the General Services Administration (GSA) and put a special emphasis on projects with "Government-wide application or implications." In addition, the law established particular criteria for projects, authorized funding levels, and required reporting on how the fund is used.

In fiscal year (FY) 2006, Congress authorized appropriations up to \$150 million for the fund, but it never actually received amounts that large. Instead, the fund received \$5 million or less each year until FY 2010. That year, the first full budget cycle under the Obama administration, President Obama requested a significant increase for the fund, resulting in a \$34 million appropriation. The president's request had cited the need to invest in projects "to provide the public with more data and transparency."

With increased funding, the administration was able to develop useful upgrades to projects supported by the fund, such as [USAspending.gov](#), which provides information about federal government spending; [Data.gov](#), a catalog of open datasets from federal agencies; and the [IT Dashboard](#), a transparency and management tool for overseeing federal IT projects.

The administration also launched several new sites with the funding boost, including [Performance.gov](#), which provides information about agency performance measurements; [PaymentAccuracy.gov](#), which shines a light on improper federal payments; and [Challenge.gov](#), which provides a low-cost platform to help agencies bring the public in to identify more efficient solutions to problems facing the country.

Then the Cuts Began

Despite the fund's accomplishments, its funding level was quickly challenged. In February 2011, as part of a budget-cutting frenzy, the House passed a bill to [slash the E-Gov Fund](#) from \$34 million to only \$2 million. Media reports at the time indicated that agencies were making plans to shutter some of the websites supported by the fund. After outcry from open government advocates, the fund was partially restored and [ultimately received an \\$8 million appropriation](#) in FY 2011.

The fund was targeted again in FY 2012 when both the House and Senate appropriations committees approved bills providing no budget for the E-Gov Fund and instead merging its function into another line item. While the House approved a slight funding increase to the combined fund, the Senate committee [trimmed the fund's level](#). However, transparency advocates and the Obama administration [objected](#), noting that the new account would not be subject to the E-Government Act's authorization and reporting requirements. Congress later abandoned this approach and returned the E-Gov Fund to independence and a [slight funding boost in FY 2012](#) compared to the previous year's cut, but still well short of FY 2010 levels.

FY 2013 was relatively uneventful for the E-Gov Fund, other than in suffering government-wide sequestration. But as the appropriations process begins for FY 2014, the House subcommittee has

returned to the same bad ideas that Congress rejected in FY 2012. The Center for Effective Government [has called for the full committee to adopt changes](#) when it considers the bill.

Evolution of the Fund

The fund's projects have also changed over the years. The IT Dashboard, developed under the fund and launched in 2009, was transferred to the Office of Management and Budget (OMB) in FY 2012 when that office's Integrated, Efficient, and Effective Uses of Information Technology account was created. In April, it was [reported](#) that USAspending.gov would transfer to the Treasury Department as it establishes its planned spending transparency office (although GSA's budget documents state only that it is "considering the best placement" of the site).

This evolution lines up with the intent behind the E-Gov Fund: to enable government to develop innovations in a timely fashion to increase transparency and solve government-wide challenges. As projects mature, they may then become a regular part of an agency budget. The fund would remain ready to incubate new projects that deliver transparency and efficiency improvements. However, if the E-Gov Fund loses its independence and faces further cuts, its ability to achieve those important goals will be diminished.

President's Spring Agenda Signals Continued Delays on New Rules

The White House Office of Management and Budget (OMB) quietly published its highly anticipated Spring 2013 [Unified Agenda](#) of Federal Regulatory and Deregulatory Actions (Unified Agenda) on July 3. The spring agenda, like the previous [fall agenda](#), does not show a strong commitment to advancing public health, safety, or environmental protections. Rather, it shows only slight progress on rules that have been under development for years and does not suggest the administration will address the pervasive delays or lack of transparency that currently plague the rulemaking process.

What is the Unified Agenda?

The Unified Agenda is published semi-annually by OMB in accordance with Executive Order 12866. It includes an agenda prepared by each federal agency listing all regulations currently under development or review. The purpose is to: (a) improve coordination among various divisions of the federal government and (b) give the public notice of upcoming agency actions. For a more in-depth review of the Unified Agenda and each of its components, visit our Regulatory Resource Center [here](#).

Rules that May Spring Forward

The spring agenda contains some positive measures. The agenda indicates that the U.S. Environmental Protection Agency's (EPA) rule to [limit greenhouse gas emissions](#) for new fossil fuel-fired power plants will move forward. Unfortunately, the rule will go back to the proposal stage, despite that fact that when the last agenda was released in December, the rule was in the "final" stages of development. The rule would reduce the amount of carbon dioxide that is released into the air and contributes substantially to climate change. Fortunately, President Obama's new [climate change plan](#), announced

in June, requires EPA to complete the proposal by September and also propose standards for [existing power plants](#) by June 2014. EPA sent the proposed rule for new power plants to the Office of Information and Regulatory Affairs (OIRA) on July 2 but has not yet submitted a draft rule for existing power plants for review.

EPA will also move forward on issuing standards for [coal ash](#). The rule was previously listed as a long-term action but has moved to the pre-rule stage in the spring agenda. Although the rule has yet to make it to the proposal stage, it is promising that EPA will restart its work on the coal ash standard.

However, many important rules remain stalled at the agency or at OIRA. For example, EPA reports that it expects to move forward later this year on its proposed [Chemicals of Concern list rule](#). The rule would establish a list for chemical substances identified by EPA as those that present or may present an unreasonable risk of injury to human health or the environment. EPA sent the rule to OIRA for review in 2010 where it remains today. Until OIRA completes its review, EPA will not be able to move forward as planned.

Another important proposal that has been delayed for years is the Occupational Safety and Health Administration's (OSHA) rule to protect workers from [exposure to silica](#) dust that can lead to fatal respiratory disease. OSHA's regulatory agenda has featured this rule since 2011, but the agency has been unable to move forward because it has been held up at OIRA for over two years. According to the spring agenda, the proposal should be complete this month – two months later than noted in the fall agenda. But it seems unlikely that OIRA will complete its review in time for OSHA to publish it in the *Federal Register* by the end of this month.

Even if the administration is able to make headway on each of these proposed rules, the agency will still need to repeat the regulatory procedures and send the rule to OIRA for review at least one more time before the rules would become final.

Rules That Will Fall Back

The spring agenda identifies several key health and safety rules that will not be moving forward in the near term. In some cases, the administration has chosen not to move ahead, even if it means the agency will thwart congressional or judicial deadlines. Most frustrating for advocates, the administration is not required to explain why it has chosen to change the rulemaking status or stop work on a rule. Instead, the citizens that these agencies are supposed to protect are left to speculate in the dark.

Although EPA's regulatory plan from the fall agenda indicated that the agency's rule on the [definition of solid waste](#) was in the final stages of development, the rule has been moved to long-term action in the spring agenda. The rule would revise the 2008 final rule on the definition of solid waste to better protect public health and the environment. EPA had agreed to a judicially enforceable deadline as a result of litigation, but the deadlines have long since passed. According to OIRA's regulatory dashboard, the agency has not yet determined when it plans to move forward with the rule.

EPA's recently proposed rule setting emissions standards for [formaldehyde](#) in composite wood products was also moved to long-term action in the spring agenda. Congress enacted legislation in 2010 that requires EPA to issue national emissions limits equal to those already required by California law. At the same time EPA proposed the emissions limits rule, it also proposed requirements for third-party certifications of products subject to those emissions limits. Congress set a January 2013 deadline for EPA to finalize the new standards, but both proposals were stuck at OIRA under review for over a year until they were finally released this past May. Even though the notice-and-comment period for these rules remains open until Aug. 6, EPA has already decided not to move forward on completing the emissions limits in the near term. The third-party certification rule, however, is still on the agenda for the spring. EPA has not explained why it chose to move forward only on the third-party certification rule or why the agency effectively denied the public an opportunity to comment on the emissions standard.

Conclusion

The spring 2013 agenda indicates that some important standards will be forthcoming. But unless the Obama administration acts aggressively to ensure these rules are finalized, our health, safety, and environment will continue to be compromised. The administration needs to resolve the pervasive delays and lack of transparency in the rulemaking process to show its commitment to completing these important public protections.

As Negotiations Begin, Advocates Decry Secrecy and Substance of U.S.-EU Trade Agreement

On July 8, negotiators from the Office of the U.S. Trade Representative (USTR) and the European Union began meetings on the Trans-Atlantic Free Trade Agreement (TAFTA), also known as the Transatlantic Trade and Investment Partnership. The negotiations are largely focused on reducing so-called "[regulatory trade barriers](#)" and "[non-tariff issues](#)," meaning they will target important consumer and environmental protections. Citizen groups and consumer advocates continue to warn the public about the threats TAFTA poses to public protections and democratic rights.

Cracks in the Free Trade Coalition

Just a few weeks ago, observers believed the U.S.-EU trade agreement was on a fast track. The treaty was championed in Obama's State of the Union Address, U.S. politicians from both sides of the aisle and EU leaders were ready to negotiate, and [business groups from almost every sector](#) had thrown their support behind the agreement.

Today, the future of the agreement is unclear. Since President Obama [announced](#) the start of TAFTA negotiations at the G8 Summit in June, consumer protection advocates on both continents have been increasingly critical of the trade deal, and a few European countries are expressing concerns about the treaty.

In the United Kingdom, labor unions have warned that TAFTA could pose a threat to the popular [National Health Service](#), while here in America, President Obama has found his own party [steadily siding against his administration's position](#) on free trade. Wall Street watchdog and influential Sen. Elizabeth Warren (D-MA) has openly [expressed her concern](#) about the secrecy surrounding the trade negotiations and possible threats TAFTA could pose to crucial financial services regulations required under the Dodd-Frank reform law.

The French government has been the most vocal critic of the agreement. In June, it threatened to veto the entire treaty if there was no "[cultural exemption](#)" to protect subsidies for French-made films. The same month, it suggested [postponing the start of negotiations](#) after allegations of [NSA spying on European diplomats](#) came to light.

These cracks in the TAFTA coalition will allow consumer and environmental advocates time to educate the media and the public about the flaws and threats to national sovereignty hidden in the agreement.

TAFTA Creates Regulatory Ceilings that Hurt Citizens, Infringe on Democratic Rights

Using trade agreements as a way to "harmonize" regulations has been aggressively touted by the Transatlantic Business Council (TCB), an organization whose members include some of the world's largest corporations, including [AIG, Pfizer, BP, and Verizon](#). While "harmonization" sounds innocuous, critics worry that instead of creating a common set of high standards, it will be used to support multinational efforts to set regulatory *ceilings* that prohibit any country from adopting strong public health and environmental protections.

Environmental and consumer safety regulations will be highly vulnerable to deregulation efforts in the secret trade negotiations. The [2013 Technical Barriers to Trade](#) (TBT), a report from the Office of the U.S. Trade Representative that may become a "deregulatory wish list," suggests that weakening Europe's impressive chemical safety regulations is likely to be a major goal of U.S. chemical companies in the negotiations.

Currently, United States chemical safety standards are dictated by the [Toxic Substances Control Act](#) (TSCA), a broken and outdated piece of legislation. Under TSCA, the U.S. Environmental Protection Agency (EPA) bears the burden of proving a chemical is unsafe before it can mandate additional testing or limit the chemical's use. Over the past 37 years since the law has been in place, only 200 out of more than 80,000 chemicals have been tested for safety, and only five have been banned or heavily restricted because of TSCA's shortcomings.

By comparison, the European Union's Regulation on the [Registration, Evaluation, Authorization and Restriction of Chemicals](#) (REACH) is the most progressive and successful piece of chemical regulation in the world, keeping dangerous pesticides and carcinogenic chemicals out of the marketplace until their manufacturers can prove the chemicals can be used safely.

If REACH is weakened in the secret negotiations, citizens of the EU will lose protections they now enjoy. Moreover, since the law helps to generate substantial data about chemical hazards that would

not otherwise be produced, Americans and others across the globe will lose scientific research important to public health.

Investor-State Dispute Resolution Mechanism Undermines Democratic Control

Arguably the most dangerous provision proposed in the trade framework is the Investor-State Dispute Resolution (ISDR) mechanism. The mechanism would allow [foreign investors to sue sovereign governments in extra-legal tribunals](#) that function separately from a country's domestic courts. Its tribunals would consist of a small collection of private attorneys who also serve as judges. ISDR was originally included in the North American Free Trade Agreement (NAFTA) as a means of protecting foreign companies should their investments be nationalized or disrupted by a government that does not possess a fair and legitimate legal system. Protecting foreign corporations from such situations is not necessary in TAFTA since European countries obviously have legitimate legal systems.

Given TAFTA's focus on non-tariff regulatory issues, [this mechanism could allow any foreign investor to sue a sovereign nation](#) over any standard that imposes "burdens" on the investor. In other words, a European company could sue the U.S. government over prohibitions on dirty production processes or bans on chemicals. This could cost the U.S. government huge sums if important clean air and water rules and lifesaving worker safety standards are deemed "trade barriers," and it could make federal, state, and local governments unable to adopt public protections above the lowest common denominator agreed to by all nations.

Corporations have already taken advantage of investor-state tribunals that exist within NAFTA's framework. In November 2012, [Eli Lilly & Company initiated an action against the Canadian government](#) after a court revoked one of Eli Lilly's invalid drug patents on Strattera, a drug used to treat attention deficit hyperactivity disorder. The drug company is currently suing the Canadian taxpayers for \$100 million. By including the dispute mechanism in TAFTA, the U.S. and EU are opening all participating nations to these extra-judicial lawsuits that can leave taxpayers on the hook for [millions of dollars](#) in damages and legal fees.

Conclusion

By "harmonizing" regulations, the secret corporate-dominated trade negotiations are setting up a way for the business community to give corporations new rights and to weaken the environmental, consumer, and financial protections that have been developed over decades.

Given the serious threats TAFTA poses to standards and safeguards both here and in Europe, negotiators must allow for far more transparency as negotiations continue. [Consumer safety advocates](#) and the public on both sides of the Atlantic must also be engaged, letting lawmakers and administration officials know that an agreement negotiated in secret that trades away their health and safety is unacceptable.

Agribusiness Subsidy Cuts Could Save Food Stamps in the Farm Bill

Last week, the House broke with four decades of congressional tradition and narrowly [passed](#) a federal Farm Bill, 216-208, without any Democratic support. The break in tradition came when the House stripped nutrition programs – notably food stamps, vital to nearly one in seven struggling Americans – out of the bill after many Republicans voted [against](#) an earlier version because they felt it did not cut enough out of the food stamp program.

House Republicans say nutrition programs will be broken out and included in a separate, stand-alone bill and may be cut as deeply as they were in the earlier, failed version of the Farm Bill.

"Let's be clear: this attempt to separate the nutrition title from the rest of the farm bill is all about gutting the nutrition title," [said](#) Rep. James McGovern (D-MA). "It's all about going after Americans who are struggling in poverty."

The House Farm Bill would also expand subsidies for agriculture by nearly \$9 billion at a time when the farm sector is historically strong, especially compared to the rest of the economy, and makes these subsidies permanent law. Currently, they have to be reauthorized every five years.

The "vote is the latest smoking gun that the House majority isn't truly interested in deficit reduction," said Joel Berg, executive director of the New York City Coalition Against Hunger, in a [statement](#). "They're interested in supporting special interest groups over hungry Americans."

Billions of dollars could be saved by cutting subsidies while still protecting vital nutrition programs for the poor, if policymakers are willing to make them. Cuts to wasteful agribusiness subsidies would save the American people money while allowing Congress to safeguard food stamps during these weak economic times. Food stamps provide vital food assistance to those who have lost their jobs, who labor in low-wage positions, or who live on a fixed income. At the same time, a more-than-adequate agricultural safety net could continue to be funded. However, doing so would require many in the House majority to drop their aversion to compromise. And members of both parties would have to ignore [misinformation](#) and pressure from the [crop insurance lobby](#).

In contrast, the Senate version of the Farm Bill [passed](#) with bipartisan support, 66-27. The Senate bill scales back spending on food stamps by about \$400 million each year. The earlier House legislation from June would have cut this funding by roughly \$2 billion annually. Presumably, a House stand-alone bill funding nutrition programs – if it is ever introduced – would contain similar cuts, although that remains to be seen.

The House Farm Bill that just passed expands farm subsidies that predominantly benefit large agribusiness companies and encourage farming practices that are environmentally risky. The Senate bill expands those subsidies as well, but to a lesser extent.

The two versions of the legislation will have to be reconciled in a conference committee to become law. According to [The New York Times](#), "House and Senate negotiators could produce a compromise

measure with the robust food stamp program the Senate wants, but such a bill would almost certainly have to pass the House with significant Republican defections."

The White House has said it will veto the Farm Bill if it reaches President Obama's desk without including food stamps.

The deep partisan divide in the House over food stamps belies a potential area of agreement. Conservative groups like the Heritage Foundation and Club for Growth oppose agribusiness subsidies. The Heritage Foundation wrote in a [blog post](#) that the House Farm Bill "[s]pends far more than President Obama on the most expensive farm program (crop insurance)."

Reducing crop insurance could create savings to preserve the food stamps program and still maintain an adequate system of emergency agricultural support.

The Costs of Crop Insurance Subsidies Explode from \$1.5 to \$7.4 Billion

Crop insurance subsidies were originally intended to make insurance against crop losses more affordable to family farmers as part of an agricultural safety net and to reduce the need to pass ad hoc disaster assistance bills in times of inclement weather. However, crop insurance programs have morphed into corporate welfare.

More than half of all crop insurance policies are revenue insurance (these policies first started in 1997), rather than more traditional yield loss insurance that protected farmers from crop losses due to bad weather, according to the [Congressional Research Service](#). Moreover, the generosity of the insurance subsidies has greatly increased. Due to a law passed in 2000, at many levels of insurance, even for very generous amounts of [coverage](#), farmers do not have to pay the majority of the costs of purchasing insurance – taxpayers do. Previously, farmers paid for the majority of the costs of their own insurance, but now the government pays for nearly two-thirds of these premiums, according to the Government Accountability Office (GAO) in a 2012 [report](#).

In addition, the federal government directly pays for the administrative costs of crop insurance companies, including their profit. "The administrative expense subsidies also can be considered a subsidy to farmers; with these subsidies, crop insurance premiums are lower than they would otherwise be if the program followed commercial insurance practices," according to the GAO. "In private insurance, such as automobile insurance, these administrative expenses typically are included in the premium that a policy holder pays."

In other words, the government props up the business side of crop insurance companies – paying for their operations and guaranteeing their profits – and also subsidizes farmers' purchases of crop insurance from those companies.

There is no limit on the amount of the subsidies that can flow to any one recipient. Thus, even very large corporate agricultural operations are raking in the benefits.

For example, in 2011, the largest recipient of subsidies "was a corporation that insured nursery crops across three counties in one state, for a total of about \$2.2 million in premium subsidies. In addition, the administrative expense subsidies that the government spent on behalf of this corporation totaled about \$816,000," according to the GAO.

Yet even though "the farm sector continues to be one of the strongest sectors of our economy, with net farm income expected to reach \$128 billion in 2013, a nominal record and the highest level in real terms since 1973," according to President Obama's Fiscal Year (FY) 2014 [budget](#), the government's agricultural subsidy programs have expanded over the last decade. The current historic strength of the agricultural sector in the United States was cited by the White House as one reason for scaling back government farm aid.

Echoing the president's budget in part, both the House and Senate Budget Committees' plans agree on the need to end the wasteful direct payments program that sent billions of dollars to people for *not* farming. (Crop insurance subsidies are different from the better known direct payments programs where the federal government paid businesses and individuals if they owned land that historically grew crops, whether crops were currently being grown or not.)

But those congressional budget plans depart from the president's proposal in that they do not scale back the even more problematic crop insurance subsidies that are projected to cost about \$89 billion over the next 10 years, according to the [Congressional Budget Office](#) (CBO).

Indeed, both bills would expand spending on crop insurance subsidies, with the House bill increasing funding by an [additional \\$8.9 billion](#) and the Senate bill by [about \\$5 billion](#) over the CBO's current estimates.

On the other hand, more akin to the White House's budget, both the very conservative House [Republican Study Committee budget](#) plan and the House [Congressional Progressive Caucus's spending blueprint](#) find substantial savings by curbing those insurance subsidies. [Legislative proposals](#) introduced by both [Republican](#) and [Democratic lawmakers](#) would also reform the system in a variety of ways, from simply introducing more transparency of who receives subsidies to rolling back subsidy increases made over a decade ago. Thus, although the House and Senate Farm Bills do not do this currently, there is some momentum from both sides of the aisle, in both legislative chambers, to roll back subsidies that massively grew due to a law passed more than a decade ago.

The Agricultural Risk Protection Act (ARPA) of 2000 greatly increased crop insurance subsidies. Due to this law, "the cost of subsidizing crop insurance premiums has exploded, from \$1.5 billion in 2002 to \$7.4 billion in 2011," according to a 2012 Environmental Working Group [report](#) by agriculture economist Bruce A. Babcock of Iowa State University. As a share of total premiums, the U.S. government's share – that is, its subsidies – increased from 37 percent of all premiums in 2000 to 60 percent in 2001 when ARPA became effective, according to the GAO.

At the time, Congress was responding to a problem with how crop insurance premiums were priced by the U.S. Department of Agriculture's (USDA) Risk Management Agency. The rules at that time made insurance that covered 65 percent or more of losses too expensive for most farmers to buy. Congress

stepped in to subsidize the costs of buying insurance instead of fixing the problems with the pricing structure. Eventually, USDA did rectify the pricing problem, but the higher subsidies were left in place.

"The crop insurance program cost at least \$4.2 billion more in 2011 than it would have without the enhanced subsidies," according to Babcock's report. "The excess costs are actually even higher because farmers respond to the incentives by buying more expensive coverage than they would if they had to pay more of the premium."

In addition, unlike the direct payments and counter-cyclical payments programs, there are no caps on the crop insurance premium subsidy program. In 2011, 26 farm businesses received more than \$1 million each; more than 10,000 growers received more than \$100,000 each; overall, 10 percent of farm businesses received more than 54 percent of the benefits from crop insurance subsidies, according to Environmental Working Group [research](#). Given that only roughly [two percent](#) of the American working population is employed in agriculture, a very small group receives the bulk of these crop insurance subsidy benefits.

A House amendment limiting subsidized crop insurance to farm businesses with \$250,000 or less in adjusted gross income [failed](#) (though it received more support than the original House Farm Bill itself). This is a reasonable reform, since, as GAO has noted, "large farms are better positioned than smaller farms to pay a higher share of their premiums."

The extent of the subsidies also encourages farmers to make decisions that negatively impact the environment without increasing production. One farmer told [The New York Times](#), "When you can remove nearly all the risk involved and guarantee yourself a profit, it's not a bad business decision" to farm on land unlikely to produce. "I can farm on low-quality land that I know is not going to produce and still turn a profit." Research has found farmers increasingly moving into environmentally sensitive areas that are less likely to be productive, and the current subsidy system is creating incentives for farmers to do more of this.

Congress could, of course, change this. "As it goes about writing a new farm bill this year in the face of intense pressure to reduce the federal deficit," Babcock's report continues, "Congress could reduce these distortions, avoid deep cuts to nutrition and conservation programs and other important priorities and provide farmers with a full suite of appropriately priced risk management options — simply by moving back to the pre-ARPA premium subsidy structure."

Other reforms that would scale back crop insurance subsidies could also save significant amounts of money. For example, the White House has [proposed](#) establishing a reasonable rate of return for crop insurance companies and reducing the federal reimbursement of crop insurance companies' administrative expenses. These would save an estimated \$4 billion over ten years. A much bolder package of several farm subsidy reforms — broader than those dealing solely with crop insurance — proposed by the Environmental Working Group would save an estimated \$80 billion over ten years.

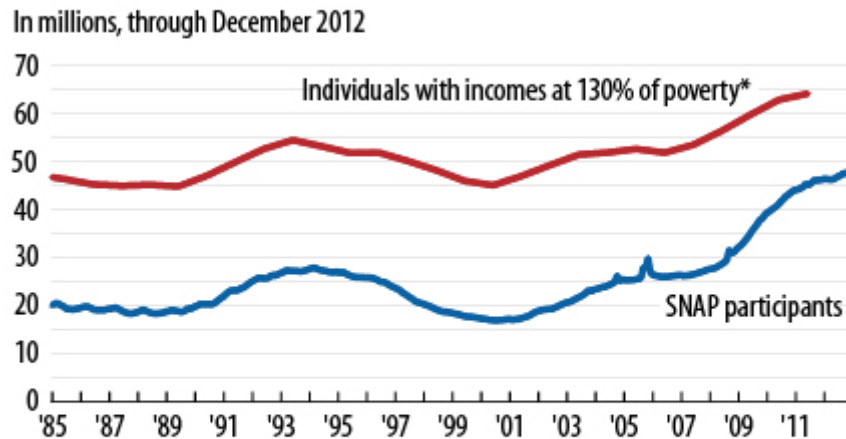
Supplemental Nutrition Assistance Program, a.k.a. Food Stamps

In stark contrast to lavish crop insurance subsidies that benefit only a few, an effective program that benefits a much wider swath of the population – food stamps – is being targeted for cuts.

The biggest program typically funded by the Farm Bill is the Supplemental Nutrition Assistance Program (SNAP), which is the official name for the food stamps program. SNAP helps feed approximately 47 million struggling Americans with an average benefit of \$4.45 a day for each beneficiary in fiscal year 2012. "Nearly 72 percent of SNAP participants are in families with children; more than one-quarter of participants are in households with seniors or people with disabilities," according to the [Center on Budget and Policy Priorities](#) (CBPP).

SNAP benefits cannot be used to "buy beer, wine, liquor, cigarettes or tobacco" or "nonfood items, such as pet foods, soaps, paper products and household supplies; vitamins and medicines;" or "food that will be eaten in the store; and hot foods," according to the U.S. Department of Agriculture's Food and Nutrition Service, which administers SNAP on the federal level.

SNAP Caseloads Closely Track Changes in Poverty



*Poverty numbers are annual estimates and not yet available after 2010.
Spikes in SNAP participants are from disaster benefits (i.e., after hurricanes).
Sources: U.S. Department of Agriculture (SNAP Program Participants); U.S. Census Bureau (annual estimates of individuals in poverty)

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Spending on SNAP increased from late 2007 through 2011 due to the recession and the continued weak job market – which is exactly how SNAP is supposed to work. SNAP enrollment slowed last year, as the economy modestly improved, and is expected to further decline as more Americans get jobs. About [\\$81 billion](#) was spent on SNAP in FY 2012, and spending on SNAP as a share of the nation's economy is projected by the Congressional Budget Office to return to 1995 levels by the end of the decade. CBPP has also [written](#) extensively on how food stamps do not create disincentives to working; in fact, quite the opposite is true:

...the SNAP benefit formula contains an important work incentive. For every additional dollar a SNAP recipient earns, her benefits decline by only 24 to 36 cents — much less than in most other programs. Families that receive SNAP thus have a strong incentive to work longer hours or to search for better-paying employment.

Furthermore, research shows that most people who receive SNAP benefits and who can work are employed.

There are robust anti-fraud measures in the SNAP program, and it has a [lower fraud rate](#) than farm subsidy programs. Furthermore, it is an efficiently run program with low administrative expenses; 92 percent of SNAP spending goes to benefits.

Reforms of the Crop Insurance Subsidy Program Could Pay for Food Stamps

Cuts to the SNAP program could be avoided if savings from reforming crop insurance subsidies were adopted. Rep. Jim McGovern (D-MA) tried to do just that with an amendment he introduced in June that replaced the deep cuts to food stamps with cuts in crop insurance subsidies.

"It would restore those cuts by eliminating or reducing some of the wasteful, excessive subsidies to the highly profitable big agribusiness," McGovern said on the House floor. "Not only that, the amendment would actually reduce the deficit by \$12 billion beyond the base bill" because of its reductions in crop insurance subsidies over several years.

His amendment failed [234 to 188](#). It attracted five Republican votes. Eight Democrats voted against the amendment — including the senior Democrat on the House Agriculture Committee, who has been a staunch supporter of crop insurance subsidies, and four other Democrats on the committee.

The House Republican leadership did not allow any amendments to the version of the Farm Bill the House passed last week.

Implications of the Breakdown of the Farm Bill Coalition in the House

The rejection of the earlier version of the Farm Bill, which typically receives bipartisan support in the House, and the passage of a bill that omitted nutrition programs underscores the growing partisan divide evident in that chamber. For the last 40 years, the Farm Bill has depended on a [rural conservative-urban liberal coalition](#). Members of Congress with large numbers of poor in their urban districts would team up with legislators representing rural areas dominated by agriculture to support the interests of their respective constituencies.

The result was never perfect — billions of dollars in wasteful agricultural subsidies were one byproduct — but good nutrition programs were funded in the Farm Bill. That urban-rural coalition has frayed with the rise of the Tea Party, which is allergic to compromise with Democrats and ideologically opposed to assistance to low-income Americans.

However, this could pose problems for staunchly conservative Republicans who are often found in rural America, especially in the South. Research by the Carey Institute at the University of New Hampshire shows that the rural population depends on food stamps disproportionately more than those in cities. "Overall, 7.5 percent of the nation's rural population relied on food stamps, compared with 4.8 percent of urban residents," according to [the Carey Institute report](#). Rural users of SNAP are especially [concentrated in the South](#).

In opposition to the House Farm Bill that ultimately passed, House Minority Leader Nancy Pelosi (D-CA) told Republicans in a [floor speech](#) that "you are taking food out of the mouths of your own poor constituents."

With [rural poverty rates higher](#) than in urban or exurban areas – and with two-thirds of rural areas experiencing higher poverty rates in recent years – it may be hard for many of these voters to continue to ignore the consequences of further government cutbacks in a program on which they and their neighbors rely.

It doesn't have to be like this. We could reduce wasteful subsidies and protect an effective program that helps hungry Americans get back on their feet. But a different course will require political will and the desire to actually make government work.



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