

# **Living Within Our Means and Investing in the Future: The President's Plan for Economic Growth and Deficit Reduction**

## **Rural America**

The President's Plan for Economic Growth and Deficit Reduction lives up to a simple idea: as a Nation, we can live within our means while still making the investments we need to prosper – from a jobs bill that is needed right now to long-term investments in education, innovation, and infrastructure. It follows a balanced approach: asking everyone to do their part, so no one has to bear all the burden. And it says that everyone – including millionaires and billionaires – has to pay their fair share. Pursuing a balanced approach to deficit reduction is critical to being able to keep rural communities thriving across America.

Already, the Obama Administration has supported the farm and rural sectors through a number of means, including providing more than \$5 billion in farm operating and ownership loans to help more than 35,000 small and medium sized businesses; expanding U.S. agricultural exports to support over 800,000 American jobs; and provided more than \$6.2 billion in financing to help nearly 10,000 rural businesses expand, grow and innovate. The Administration remains committed to a strong safety net for farmers, one that protects them from revenue losses that result from low yields or price declines, and strong crop insurance programs. But as we make tough cuts across the Federal government and recognizing that we all must share in the burden of reducing the deficit, it's appropriate to reassess funding that is no longer necessary or justifiable. To reduce the deficit while still supporting thriving rural communities, the Administration proposes to:

**Eliminate unnecessary direct payments.** The direct payment program provides farmers with fixed annual payments for having historically planted crops that were supported by government programs, regardless of whether the farmer is currently producing those crops -- or producing any crop, for that matter. Direct payments do not vary with prices, yields, or producers' farm incomes. As a result, taxpayers continue to foot the bill for these payments to farmers who are experiencing record yields and prices; more than 50 percent of direct payments go to farmers with more than \$100,000 in income. This change would save the Government roughly \$3 billion per year.

**Modernize crop insurance program to reduce cost and improve efficiency.** Crop insurance is a foundation of our farm safety net. Our Nation's farmers and agricultural bankers understand the value of this effective risk management program, and currently 83 percent of eligible program crop acres are enrolled in the program. However, the program continues to be highly subsidized and costs the taxpayers approximately \$8 billion a year to run: \$2.3 billion per year for the private insurance companies to administer and underwrite the program and \$5.7 billion per year in premium subsidies to the farmers. With the following reforms, the Administration proposes to build on our continued effort to improve the crop insurance program while implementing it more efficiently:

- Streamline the administrative costs of the program by lowering crop insurance companies' rate of return to meet the 12 percent target, saving \$2 billion over 10 years.

- Cap administrative expenses at \$0.9 billion adjusted annually for inflation, which would save \$3.7 billion over 10 years.
- Price the premium for catastrophic coverage policies more accurately, saving \$600 million over 10 years.
- Shave two basis points off any coverage premium subsidy levels that are currently offered above 50 percent, saving \$2 billion over 10 years.

**Better target agricultural conservation assistance.** Farmers, ranchers, and forest landowners share a critical role in conserving the Nation’s soil, water, and related natural resources. But dramatic increase in funding (roughly 500 percent since enactment of the 2002 Farm Bill) has led to difficulties in program administration and redundancies among our agricultural conservation programs. At the same time, high crop prices have both strengthened market opportunities to expand agricultural production on the Nation’s farmlands and decreased producer demand for certain agricultural conservation programs. In order to adapt to these economic realities and better target existing funding for maximum environmental outcomes, the Administration proposes to reduce conservation funding by \$2 billion over 10 years by better targeting conservation funding to the most cost-effective and environmentally-beneficial programs and practices. Even under this proposal, conservation assistance is projected to be \$60 billion over the next decade.

**Extend mandatory disaster assistance to strengthen safety net for farmers.** The Administration strongly supports disaster assistance programs that protect farmers in their time of greatest need. To strengthen this support, the Administration proposes to extend these programs, or similar types of disaster assistance that are of a similar cost, for the 2012 to 2016 crops. The programs provide financial assistance to producers when they suffer actual losses in farm revenue, loss of livestock or the ability to graze their livestock, loss of trees in an orchard, and other losses due to diseases or adverse weather. The farm revenue program (commonly referred to as SURE) provides whole farm revenue coverage to farmers at a revenue level that is essentially 15 percent higher than their crop insurance guarantee.

**Target Medicare support for rural providers.** Given the importance of Medicare to rural seniors, the program provides special payments to rural hospitals and doctors. Some of these payments, however, are not justified and threaten to undermine those that are. The proposal would better target Medicare’s Critical Access Hospital program and eliminate the new special add-on payments to providers in some, but not all, rural States – saving \$6 billion over the next decade from the \$60 billion Medicare is expected to spend on supplemental payments to rural providers.

**Pursue balanced deficit reduction to prevent drastic cuts.** We have little doubt that some of these proposals will not be popular with those who benefit from these affected programs. These are tough choices that we had to make -- and some of these changes are those that we would not make if it were not for our fiscal situation. But we are all in this together, and all of us must contribute to getting our economy moving again and on a firm fiscal footing. If we all don’t pitch

in, we know what happens if we try to do this much deficit reduction without a balanced approach – because the congressional Republicans have proposed to do that. Millionaires and big corporations keep all their special tax breaks and tax cuts while there are severe cuts in programs we need to grow and prosper on which many Americans rely. For instance, under their budget, there would be deep cuts to conservation programs that farmers rely on for revenue and cuts to America’s growing renewable energy sector, which would harm wind energy providers across the country, of which many are farms.

We believe the President’s plan is the most fair and effective way to keep the promises made to all Americans while achieving the deficit reduction needed to win the future.