



Support the Bipartisan Assisting Family Farmers through Insurance Reform Measures Act (AFFIRM)

May 15, 2013

Dear Representative:

The undersigned organizations urge you to support the Assisting Family Farmers through Insurance Reform Measures (AFFIRM) Act recently introduced by Representatives Ron Kind (D-WI) and Tom Petri (R-WI). The AFFIRM Act would help rein in the spiraling cost of the federal crop insurance program, which has quickly become the most expensive taxpayer subsidy for agriculture. The bill would also take commonsense steps to make the crop insurance program more accountable to taxpayers, limit unnecessary market distortions, and increase public transparency.

According to the U.S. Department of Agriculture's Risk Management Agency, the highly subsidized federal crop insurance program cost taxpayers a record \$14 billion in FY12. Due to high commodity crop prices, expanded program participation, and the introduction of new policies that shift additional risks onto taxpayers, the program's total cost quadrupled over the past decade alone. Federal crop insurance subsidizes policies covering not only a loss of crops, but the majority of its cost is spent guaranteeing business income for well-off producers coming off one of their best years of farm profits in a generation. The program also spends \$1.3 billion per year subsidizing crop insurance companies to administer the program. Finally, the government also picks up a greater portion of losses during poor growing years, such as last year, putting additional risks squarely on taxpayers.

The AFFIRM Act would accomplish the following objectives (cost savings presented as ten-year estimates):

- Bring crop insurance in line with other agricultural subsidy programs by allowing taxpayers to see where their dollars are going, limiting annual premium subsidies to

\$40,000 per producer, and applying means testing to eliminate subsidies for large agribusinesses earning over \$250,000 in adjusted gross income per year (expected savings of \$6.1 billion);

- Reduce taxpayer subsidies provided to private insurance companies to administer crop insurance policies and reduce the taxpayer burden of covering a greater percentage of losses from high-risk policies (expected savings of \$3 billion);
- End the practice of subsidizing private crop insurance companies at a rate above the industry average (expected savings of \$1.8 billion).

We commend Reps. Kind and Petri for their leadership and urge you to cosponsor the AFFIRM Act to help rein in out-of-control spending on crop insurance and begin to get our nation's finances under control.

Sincerely,

American Commitment
Americans for Tax Reform
Campaign for Liberty
Center for Individual Freedom
Competitive Enterprise Institute
Cost of Government Center
Council for Citizens Against Government Waste
FreedomWorks
National Taxpayers Union
R Street Institute
Taxpayers for Common Sense
Taxpayers Protection Alliance