Senator Durbin's "Adjusted Gross Income" Crop Insurance Premium Subsidy Reform Amendment

The Durbin amendment would reduce the level of federal premium support for crop and revenue insurance participants with an Adjusted Gross Income (AGI) over $700,000 (for single individuals, double or more for most married couples) by 15 percentage points for all buy-up policies beyond catastrophic coverage. In other words, wealthy individuals would be required to pay about half of their own insurance premiums, rather than having the bulk of the premium paid for by the taxpayer.

Savings: CBO estimates that this amendment would save half a billion dollars over ten years.

AGI Trigger: The proposed $700,000 AGI trigger conforms to the AGI trigger set by the Agriculture Committee in the bill as reported for commodity and conservation programs. The Committee, however, failed to provide any means testing for insurance premium subsidies.

Impact: The amendment would modestly reduce premium subsidy support for those most able to cover more of their own risk, affecting only those landowners and farmland investors with the highest incomes. The vast majority of farmers will see no change in the level of premium support provided by USDA.

Participation: The amendment does not exclude anyone from participating in crop insurance, nor does it eliminate subsidies for anyone. The amendment simply reduces the amount of premium support for single individuals with an adjusted gross income at or above $700,000 (double or more for most married couples) by 15 percentage points on all buy-up policies. Producers impacted by this amendment would still have on average nearly 50% of their crop insurance premiums paid for by the federal government.

Implementation: USDA has a decade and a half of experience implementing AGI limits. USDA's Risk Management Agency (RMA) maintains a database that crop insurance agents consult to determine a farmer's eligibility to purchase crop insurance. AGI can be incorporated into the database allowing agents and farmers to determine the level of premium support provided by the federal government *before* the sale of crop insurance policies allowing producers to plan accordingly.

Subsidies: Premium subsidies are the single largest cost, about $6 to $7 billion of the $8 to $9 billion a year that taxpayers put into the federal crop insurance program. The subsidies range from 38 percent to 100 percent, and average over 60 percent. According to the GAO, a similar AGI threshold would affect less than 1 percent of all policyholders. These entities, however, receive a substantial portion of total subsidies. In some cases, single large farms receive over $1 million in premium subsidies a year.

Why We Need this Amendment: Unlimited premium subsidies contribute to increased land prices and farm consolidation, making it difficult for small and beginning farmers to expand or even start farming, closing off economic opportunity and adding to social and economic decline in rural communities.

At a time of stark fiscal realities, when no resources are being added to the farm bill, we cannot justify providing this level of premium support to the wealthiest landowners and investors. Common sense reforms ask the farmers with the highest income to cover a little bit more of their own risk, without undermining crop insurance as a critical risk management tool.

We urge your support for the Durbin Amendment to the Farm Bill!