



United States General Accounting Office
Washington, DC 20548

Office of the General Counsel

B-285818

July 19, 2000

The Honorable Richard G. Lugar
Chairman
The Honorable Tom Harkin
Ranking Minority Member
Committee on Agriculture, Nutrition, and Forestry
United States Senate

The Honorable Larry Combest
Chairman
The Honorable Charles W. Stenholm
Ranking Minority Member
Committee on Agriculture
House of Representatives

Subject: Department of Agriculture, Federal Crop Insurance Corporation:
Catastrophic Risk Protection Endorsement; Regulations for the 1999 and
Subsequent Reinsurance Years; Group Risk Plan of Insurance Regulations
for the 2000 and Succeeding Crop Years, and the Common Crop Insurance
Regulations; Basic Provisions

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Department of Agriculture, Federal Crop Insurance Corporation (FCIC), entitled "Catastrophic Risk Protection Endorsement; Regulations for the 1999 and Subsequent Reinsurance Years; Group Risk Plan of Insurance Regulations for the 2000 and Succeeding Crop Years, and the Common Crop Insurance Regulations; Basic Provisions" (RIN: 0563-AB81). We received the rule on July 10, 2000. It was published in the Federal Register as an interim rule on June 30, 2000. 65 Fed. Reg. 40483.

The interim rule implements the changes to the crop insurance policies mandated by the Agricultural Risk Protection Act of 2000.

Enclosed is our assessment of the FCIC's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review indicates that FCIC complied with the applicable requirements.

If you have any questions about this report, please contact James W. Vickers, Assistant General Counsel, at (202) 512-8210. The official responsible for GAO evaluation work relating to the subject matter of the rule is Larry Dyckman, Director, Food and Agriculture Issues. Mr. Dyckman can be reached at (202) 512-5138.

Robert P. Murphy
General Counsel

Enclosure

cc: Mr. Kenneth D. Ackerman
Administrator, Risk Management Agency
Department of Agriculture

ANALYSIS UNDER 5 U.S.C. § 801(a)(1)(B)(i)-(iv) OF A MAJOR RULE
ISSUED BY THE
DEPARTMENT OF AGRICULTURE,
FEDERAL CROP INSURANCE CORPORATION
ENTITLED
"CATASTROPHIC RISK PROTECTION ENDORSEMENT; REGULATIONS
FOR THE 1999 AND SUBSEQUENT REINSURANCE YEARS;
GROUP RISK PLAN OF INSURANCE REGULATIONS FOR THE 2000
AND SUCCEEDING CROP YEARS, AND THE
COMMON CROP INSURANCE REGULATIONS; BASIC PROVISIONS"
(RIN: 0563-AB81)

(i) Cost-benefit analysis

FCIC conducted a cost-benefit analysis of the interim rule. It considered the increased subsidies, changes in the administrative fees, and an optional way of computing the yield guarantees, which the interim rule provides. FCIC utilized several Congressional Budget Office estimates in preparing the analysis.

The increased subsidies are expected to increase the government's costs by about \$1 billion per year and that includes both the subsidy costs and the additional cost of reimbursing private insurance for delivering an increased amount of coverage to producers. The benefits include income transfers to those producers who would otherwise pay higher costs for insurance coverage, increased risk production for all producers who increase their insurance coverage, and reduced need for future ad hoc disaster payment assistance.

The increased administrative fees are estimated to produce additional governmental revenue of about \$21 million annually.

Under the yield exclusion provision, additional costs to the government are incurred for both the subsidy and the reimbursements to private companies, which are proportional to the higher premium costs. These costs are estimated to be \$138 million for 2001 and \$1.672 billion over the next 10 years.

(ii) Agency actions relevant to the Regulatory Flexibility Act, 5 U.S.C. §§ 603-605, 607, and 609

The FCIC has certified that the interim rule will not have significant economic effect on a substantial number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

The interim rule does not contain an intergovernmental or private sector mandate, as defined in title II of the Act, of more than \$100 million in any one year.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

The Agricultural Risk Protection Act of 2000 requires that the changes contained in the Act must be effective by the June 30, 2000, contract change date to be fully implemented for the 2001 crop year. Accordingly, FCIC invoked the exception to the notice and comment requirements contained in 5 U.S.C. 553(b)(B). FCIC stated that it would be impracticable and contrary to the public interest to publish this rule prior to making it effective. Therefore, it was published as an interim rule and solicited comments for 60 days after the date of publication. Also, since the rule was issued with public notice and comment, the 60-day delay in the effective date of a major rule under the Congressional Review Act is properly waived.

Paperwork Reduction Act, 44 U.S.C. §§ 3501-3520

The interim rule does not contain any information collection requirements that alter collections previously approved by the Office of Management and Budget under control number 0563-0053.

Statutory authorization for the rule

The interim rule is issued pursuant to the authority of the Agricultural Risk Protection Act of 2000 and 7 U.S.C. 1506 (l) and (p).

Executive Order No. 12866

The final rule was found to be an “economically significant” regulatory action by the Office of Management and Budget, which reviewed the rule for compliance with the Order.

Executive Order No. 13132 (Federalism)

The interim rule will not have a substantial direct effect on states, the relationship between the national government and the states, or the distribution of power and responsibilities among the various levels of government.