CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 24, 1997

S. 1024
Family Farmer Protection Act of 1997
As reported by the Senate Committee on the Judiciary on October 9, 1997

CBO estimates that enacting S. 1024 would affect both direct spending and receipts; therefore, pay-as-you-go procedures would apply, but CBO estimates that such effects would not be significant. The bill also could affect spending subject to appropriation, but any such change would be negligible. S. 1024 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 and would impose no costs on state, local, or tribal governments.

S. 1024 would permanently extend chapter 12 of Title 11 of the U.S. Code, which was created by the Bankruptcy Judges, United States Trustees, and Family Farmer Bankruptcy Act of 1986 (Public Law 99-554). Under current law, chapter 12 will expire on October 1, 1998. Chapter 12 of Title 11 specifies bankruptcy procedures available only to family farmers with regular annual income and is intended to facilitate an efficient and expeditious bankruptcy process. S. 1024 also would allow farmers who have successfully completed a reorganization plan under chapter 12 to be eligible for federal loans or guarantees for expenses of operating a farm or ranch.

Based on information from the U.S. Trustees, CBO expects that without the permanent extension of chapter 12, family farmers filing for bankruptcy would split their filings about evenly between chapter 11 and chapter 13 each year. Chapter 12 has a $200 filing fee and does not require the bankrupt party to pay quarterly fees to the government. Chapter 11, in contrast, requires an $800 filing fee as well as quarterly filing fees (on average, $1,000 is collected per case). Chapter 13 requires only a $130 filing fee. Bankruptcy fees appear in two different places in the budget. Some of the fees are recorded as governmental receipts (revenues); others are recorded as offsetting collections to the U.S. Trustee System Fund and are available for spending from that account. The percentage of the fees allocated between these two accounts varies by chapter.

Assuming that about 1,000 cases would be affected by this bill each year, its enactment would result in a loss in revenues of less than $500,000 a year and a loss in offsetting collections of about $1 million a year, beginning in fiscal year 1999. The loss of offsetting collections would reduce the amount available for spending by the U.S. Trustees and thus would result in no net change in outlays from direct spending.

In addition, CBO estimates that expanding the pool of applicants for federal loans and guarantees to include family farmers who have successfully completed a chapter 12 reorganization plan would have no significant impact on spending subject to appropriation because we expect that only a small number of farmers would complete such a plan and then apply for loans or guarantees. The subsidy costs of such credit assistance are covered by annual appropriations.

The CBO staff contact for this estimate is Susanne S. Mehlman. This estimate was approved by Paul N. Van de Water, Assistant Director for Budget Analysis.