CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 5, 2007

H.R. 2419
Farm, Nutrition, and Bioenergy Act of 2007

As passed by the House of Representatives on July 27, 2007

SUMMARY

H.R. 2419 would amend and extend major programs administered by the U.S. Department of Agriculture (USDA), including programs dealing with farm income support, food and nutrition, land conservation, trade promotion, rural development, agricultural research, forestry, energy production, horticulture, and crop insurance.

Most of the current farm programs expire between September 30, 2007, and August 31, 2008. For the purposes of Congressional budget scorekeeping, the direct spending costs of this legislation are measured against the baseline projections underlying the Congressional budget resolution for fiscal year 2008, which assume that most farm programs continue to operate in the future as they did just prior to their expiration. On that basis, CBO estimates that enacting H.R. 2419 would increase USDA's mandatory spending for farm programs by $5.9 billion over the 2008-2012 period and $14.2 billion over the 2008-2017 period. The act also would result in additional collections, mainly from firms that explore for petroleum and natural gas on the Outer Continental Shelf (OCS). Those collections would partially offset added farm spending under H.R. 2419, resulting in net additional direct spending of $3.5 billion over the 2008-2012 period and $7.7 billion over the 2008-2017 period.

The baseline projections for the farm programs covered by this act total $280 billion over the 2008-2012 period and $597 billion over the 2008-2017 period. Including those sums, net direct spending authorized by the bill for USDA farm programs totals an estimated $286 billion over the 2008-2012 period and $611 billion over the 2008-2017 period.

Enacting H.R. 2419 would also increase revenues by an estimated $3.7 billion over the 2008-2012 period and $7.5 billion over the 2008-2017 period. The legislation would change tax provisions that in some cases allow a U.S. subsidiary of a foreign parent corporation to avoid U.S. withholding tax on payments to a related subsidiary in another country that has a tax treaty with the United States. The Joint Committee on Taxation (JCT) estimates that this change in tax law would increase revenues by $3.2 billion over the 2008-2012 period and

by $7.5 billion over the 2008-2017 period. H.R. 2419 also would change the timing of corporate estimated taxes, increasing such revenues by $0.5 billion in 2012 and reducing revenues by the same amount in 2013. Finally, CBO estimates that enacting the legislation would result in additional penalty collections (which are recorded in the budget as revenues) of $10 million over the 2008-2012 period and $20 million over the 2008-2017 period.

H.R. 2419 would authorize appropriations over the 2008-2012 period for existing and new USDA programs involving research and education, nutrition, trade promotion, rural development, credit assistance, forestry, and conservation initiatives. CBO estimates that the discretionary costs of implementing H.R. 2419 would total $35.4 billion over the 2008-2012 period, assuming appropriation of the necessary amounts.

H.R. 2419 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) because it would impose costs on at least one state by increasing the stringency of certain conditions of assistance under the Food Stamp program and would preempt state laws restricting the interstate transport of meat and poultry inspected under a new program authorized by the legislation. CBO estimates that the total cost of complying with those mandates would not exceed the threshold established in UMRA ($66 million in 2007, adjusted annually for inflation). In general, state, local, and tribal governments would benefit from the continuation of the existing Food Stamp program, the creation of new grant programs, and broader flexibility and options in some areas.

H.R. 2419 also contains private-sector mandates as defined in UMRA. Based on information from USDA and industry researchers, CBO estimates that the aggregate direct costs of complying with those mandates would fall below the annual threshold established in UMRA ($131 million in 2007, adjusted annually for inflation).

In addition, CBO estimates that persons holding certain deepwater OCS leases would make additional payments to the government totaling about $5.8 billion over the 2008-2017 period. It is unclear whether those payments would be the result of new mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2419 is summarized in Table 1. The costs of this legislation fall within budget functions 270 (energy), 300 (natural resources and environment), 350 (agriculture), 450 (community and regional development), and 600 (income security).

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 2419 will be enacted before the end of calendar year 2007. The legislation would provide direct spending authority for most of the USDA programs authorized, amended, or created by the legislation through the 2008-2012 period. Following the baseline projection rules in section 257 of the Balanced Budget and Emergency Deficit Control Act, CBO estimates the 10-year costs of H.R. 2419 by assuming that most of those programs continue to operate beyond that five-year authorization period.

TABLE 1. ESTIMATED BUDGETARY IMPACT OF H.R. 2419, AS PASSED BY THE HOUSE

	By Fiscal Year, in Millions of Dollars						
	2008	2009	2010	2011	2012	2008-2012	2008-2017
Changes in Direct Spending [a b]							
Estimated Budget Authority	1,594	1,911	2,285	2,059	1,272	9,121	12,667
Estimated Outlays	788	1,414	1,752	1,594	-2,034	3,514	7,695
Changes in Revenues [a]	433	635	682	733	1,234	3,717	7,499
Changes in Spending Subject to Appropriations							
Estimated Authorization Level	8,321	8,247	8,288	8,411	8,460	41,727	n.a.
Estimated Outlays	4,271	6,628	7,870	8,215	8,383	35,367	n.a.

Note: n.a. = not available.

a. See Table 2 for changes in direct spending and revenues over the 2008-2017 period.

b. Shortly before H.R. 2419 was considered by the House of Representatives on July 27, 2007, the legislative language for the manager's substitute amendment was changed. According to the House Committee on Agriculture, the final language considered by the House contained a drafting error by omitting a provision that would yield savings in the crop insurance program. CBO estimates that the omitted provision would reduce direct spending by $222 million over the 2008-2017 period.

The following sections describe the major budgetary effects of each title of H.R. 2419.

Changes in Direct Spending and Revenues

Changes in direct spending and revenues are presented in Table 2 and discussed below.

Title I: Commodity Programs. Title I would reauthorize and amend the farm commodity support programs administered by USDA. CBO estimates that enacting title I would reduce direct spending by $973 million over the 2008-2012 period and by $825 million over the 2008-2017 period, relative to our baseline, which assumes that USDA's commodity programs continue to operate throughout the 10-year period as they do under current law. (The current-law authorization of those programs expires on September 30, 2007, although some final payments would be made after that date.) Under H.R. 2419, spending on commodity programs, including spending assumed in CBO's March 2007 baseline projections, would total $88.7 billion over the 2008-2017 period.

Direct and Countercyclical Payments for Covered Commodities. H.R. 2419 would authorize USDA to continue making direct payments to producers of grains, oilseeds, and cotton; but advance payments (a portion of a producer's final payment made before the end of each fiscal year) would be eliminated beginning with the 2012 crop. That change to advance payments would reduce costs by nearly $1.1 billion over the 2008-2017 period, but would increase them by about the same amount after 2017.

H.R. 2419 also would offer producers a one-time choice of how their countercyclical payments would be determined. Under H.R. 2419, producers could choose between countercyclical payments based on prices in relation to target levels (as under current law), or based on the national average of revenue (that is, price times yield) in relation to specified revenue levels per acre. Advance countercyclical payments would be eliminated beginning with the 2011 crop, and all final countercyclical payments would be made after October 1. (In contrast, under current law, a 40 percent advance payment is made after the first six months of the marketing year.) The combination of both changes and the provision that would give producers a choice in how countercyclical payments are made would reduce spending by $0.7 billion over the 2008-2012 period and $1.2 billion over the 2008-2017 period, relative to continued operation of those programs as under current law.

Loans and Loan Deficiency Payments. The act would reauthorize USDA's crop loans and marketing loan programs for the commodities that are currently eligible to receive those benefits, but the legislation would raise the loan rates for wheat, barley, oats, and oilseeds. In addition, the legislation would modify the loan repayment rate for cotton; the new rate would be based on the price in Asian markets, adjusted for the quality of cotton produced in the United States, and including the full cost of transportation from the United States to the Far East. H.R. 2419 also would authorize a new payment of 4 cents per pound for cotton processed by domestic cotton mills. CBO estimates that those changes would increase costs by $1.0 billion over the 2008-2012 period and $2.2 billion over the 2008-2017 period, relative to the cost of continuing to operate those programs as under current law.

TABLE 2. ESTIMATED CHANGES IN DIRECT SPENDING AND REVENUES UNDER H.R. 2419

	By Fiscal Year, in Millions of Dollars											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2012	2008-2017
CHANGES IN DIRECT SPENDING												
Title I, Commodity Programs												
Estimated Budget Authority	115	137	107	69	-1,401	1	4	-2	51	94	-973	-825
Estimated Outlays	115	137	107	69	-1,401	1	4	-2	51	94	-973	-825
Title II, Conservation												
Estimated Budget Authority	302	873	1,024	1,030	1,295	1,221	980	980	-249	-1,771	4,524	5,685
Estimated Outlays	108	440	654	680	910	1,040	992	935	-285	-1,779	2,792	3,695
Title III, Trade												
Estimated Budget Authority	-38	56	124	189	250	125	40	-7	-7	-7	581	725
Estimated Outlays	-19	57	124	189	250	125	40	-7	-7	-7	601	745
Title IV, Nutrition Programs												
Estimated Budget Authority	600	727	858	975	1,071	1,212	1,316	1,445	1,558	1,714	4,231	11,476
Estimated Outlays	573	727	859	975	1,071	1,212	1,316	1,445	1,558	1,714	4,205	11,450
Title V, Credit Programs												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-130	-148	-168	36	32	27	22	16	8	-1	-378	-306
Title VI, Rural Development												
Estimated Budget Authority	30	30	30	30	30	30	0	0	0	0	150	180
Estimated Outlays	6	18	30	30	30	30	24	12	0	0	114	180
Title VII, Research												
Estimated Budget Authority	265	0	0	0	0	0	0	0	0	0	265	265
Estimated Outlays	136	79	50	0	0	0	0	0	0	0	265	265
Title VIII, Forestry												
Estimated Budget Authority	10	10	10	10	10	0	0	0	0	0	50	50
Estimated Outlays	4	8	9	10	10	6	2	1	0	0	41	50
Title IX, Energy												
Estimated Budget Authority	408	484	581	739	971	-24	-26	-27	-28	-28	3,183	3,050
Estimated Outlays	217	360	486	596	770	484	176	-1	-14	-20	2,429	3,054
Title X, Horticulture and Organic Agriculture												
Estimated Budget Authority	120	95	115	140	175	165	165	165	165	165	645	1,470
Estimated Outlays	54	96	112	131	156	164	165	165	165	165	548	1,373
Title XI, Miscellaneous [a]												
Estimated Budget Authority	77	-301	-339	-368	-369	-397	-397	-395	-396	-402	-1,300	-3,287
Estimated Outlays	19	-160	-286	-366	-3,102	-380	-395	-396	-396	-400	-3,895	-5,862
Title XIII, Additional Offsets												
Estimated Budget Authority	-295	-200	-225	-755	-760	-835	-850	-805	-725	-675	-2,235	-6,125
Estimated Outlays	-295	-200	-225	-755	-760	-835	-850	-805	-725	-675	-2,235	-6,125
Total Changes in Direct Spending [a]												
Estimated Budget Authority	1,594	1,911	2,285	2,059	1,272	1,498	1,233	1,355	369	-909	9,121	12,667
Estimated Outlays	788	1,414	1,752	1,594	-2,034	1,873	1,497	1,364	355	-908	3,514	7,695

Continued

TABLE 2. CONTINUED

	By Fiscal Year, in Millions of Dollars											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2012	2008-2017
CHANGES IN REVENUES												
Title IV, Civil Penalties	2	2	2	2	2	2	2	2	2	2	10	20
Title XII, Limitation on Treaty Benefits	431	633	680	731	767	806	826	847	868	890	3,242	7,479
Title XIII, Time for Payment of Corporate Taxes	0	0	0	0	465	-465	0	0	0	0	465	0
Total Changes in Revenues	433	635	682	733	1,234	343	828	849	870	892	3,717	7,499
MEMORANDUM:												
Estimated Spending Under Baseline Assumptions - Agriculture Programs												
Estimated Budget Authority	55,311	56,069	56,298	57,121	58,545	59,992	61,644	62,054	65,148	68,145	283,344	600,327
Estimated Outlays	54,542	55,380	55,447	56,614	58,338	59,861	61,530	61,994	65,065	68,010	280,321	596,781
Estimated Total Spending Under H.R. 2419 - Agriculture Programs												
Estimated Budget Authority	57,211	58,214	58,843	59,971	60,614	62,362	63,765	64,253	66,282	67,952	294,854	619,468
Estimated Outlays	55,636	57,028	57,459	58,999	57,101	62,606	63,915	64,202	66,185	67,818	286,222	610,949

Note: Changes in spending are measured relative to CBO's March 2007 baseline projections. Changes in revenues in titles XII and XIII were estimated by the Joint Committee on Taxation.

a. Includes estimated savings in the crop insurance program of $125 million over the 2008-2012 period and $375 million over the 2008-2017 period from increased spending to detect fraud. Scorekeeping guideline #14, adopted by the Congress in the conference report for the Balanced Budget Act of 1997, states that such savings will not be scored as a result of direct spending for administrative costs. However, the House Committee on the Budget has directed CBO to include those estimated savings to the crop insurance program that are anticipated as a result of additional administrative spending for fraud detection.

Payment Limits. The act would amend provisions of current law designed to limit total USDA benefit payments to producers (known as payment limitations). Under H.R. 2419, producers would be denied program payments if the average of their adjusted gross income (AGI) over the past three years is more than $1 million. Producers with an average AGI between $500,000 and $1 million also would be denied payments unless at least two-thirds of their income is derived from agriculture.

Under the legislation, USDA would be required to attribute all commodity and conservation payments directly to a person or entity, and limit each person to a direct payment of no more than $60,000, plus up to $65,000 for countercyclical payments. No limits would be placed on marketing loan benefits. Individuals would be limited to a payment of $60,000 for participating in one conservation program, or $125,000 if participating in more than one conservation program. Under H.R. 2419, spouses of producers would automatically qualify for separate payments and would be subject to the same limitations as producers. CBO estimates that those changes to payment limitation provisions would reduce spending on USDA benefit programs by $227 million over the 2008-2012 period and $550 million over the 2008-2017 period, relative to the costs of operating the programs as under current law.

Title II: Conservation Programs. This title would reauthorize and expand land conservation programs administered by USDA. CBO estimates that enacting those provisions would increase costs by $2.8 billion over the 2008-2012 period and by $3.7 billion over the 2008-2017 period. Including spending assumed in CBO's March 2007 baseline projections, total spending on conservation programs under H.R. 2419 would be $54.9 billion over the 2008-2017 period. Significant changes in conservation programs would:

- Expand enrollment in the Wetland Reserve Program by 1.33 million acres, at an estimated cost of $1.7 billion over the 2008-2012 period and $2.3 billion over the 2008-2017 period.

- End new contracts under the existing Conservation Security Program (CSP) beginning in fiscal year 2008, and resume enrollment in 2012 in a modified CSP that would be limited to spending $4.6 billion over the 2012-2017 period. CBO estimates that those provisions would reduce direct spending by $703 million over the 2008-2012 period and $4.8 billion over the 2008-2017 period.

- Expand enrollment in the Grasslands Reserve Program by 1.34 million acres, at an estimated cost of $330 million over the 2008-2012 period and $412 million over the 2008-2017 period.

- Increase funding for the Environmental Quality Incentives Program by $0.9 billion over the 2008-2012 period and $3.8 billion over the 2008-2017 period.

- Increase funding for the Farm and Ranchland Protection Program by $206 million over the 2008-2012 period and $1.1 billion over the 2008-2017 period.

- Add $50 million per year to the Small Watershed Enhancement Program and an average of $41 million per year for a new Chesapeake Bay Program to reduce nutrient and sediment runoff.

Title III: Trade Programs. Title III would amend the trade promotion and food assistance programs administered by USDA and the U.S. Agency for International Development (USAID) and extend the authorization for those programs, generally through 2012. H.R. 2419 would increase limits on direct spending for several programs and would authorize the appropriation of funds for other programs through 2012. CBO estimates that enacting title III would increase direct spending by $601 million over the 2008-2012 period and

$745 million over the 2008-2017 period. Including spending assumed in CBO's March 2007 baseline projections, total spending on trade programs under H.R. 2419 would be $4.6 billion over the 2008-2017 period.

Increased Funding for the Market Access Program. Section 3003 would reauthorize and increase funding for the Market Access Program, an export promotion program funded through the Commodity Credit Corporation. H.R. 2419 would increase annual funding for the program by $25 million. As a result, CBO estimates that direct spending would increase by $96 million over the 2008-2012 period and $221 million over the 2008-2017 period.

McGovern-Dole International Food for Education and Child Nutrition Program. The act would reauthorize this program and replace its authorization for appropriations with direct spending from the Commodity Credit Corporation. Direct spending for the program, which requires the procurement of agricultural commodities and the provision of financial and technical assistance to carry out school nutrition programs for foreign countries, would total $661 million over the 2008-2012 period and $840 million over the 2008-2017 period.

Other Programs. H.R. 2419 also would increase direct spending for USDA's Technical Assistance for Specialty Crops Program, eliminate the Supplier Credit Program, and reduce subsidy costs of the Export Guarantee Program by increasing loan origination fees and reducing the maximum loan term. CBO estimates that, together, those changes would reduce direct spending by $156 million over the 2008-2012 period and $316 million over the 2008-2017 period.

Title IV: Nutrition Programs. This title would reauthorize and amend the Food Stamp program (and would rename it the Secure Supplemental Nutrition Assistance Program) and related nutrition programs through fiscal year 2012 and make several changes in those programs. The most significant changes affecting costs are summarized below. CBO estimates that enacting title IV would increase direct spending by $4.2 billion over the 2008-2012 period and $11.5 billion over the 2008-2017 period, relative to the cost of continuing to operate those programs as under current law. Including spending assumed in CBO's March 2007 baseline projections, total spending on nutrition programs under H.R. 2419 would be $408.6 billion over the 2008-2017 period.

Deductions from Income. H.R. 2419 includes two provisions that would increase the amount that households can deduct from gross income in determining their benefits. Under current law, the standard deduction is set at 8.31 percent of the net income threshold by household size, or a minimum of $134 per month. This legislation would raise the minimum standard deduction to $145 in fiscal year 2008 and index that amount in subsequent years to changes in the Consumer Price Index for Urban Consumers (CPI-U). In addition, H.R. 2419 would eliminate the cap on the amount of dependent care costs that a household can deduct from income. The deduction is currently capped at $200 a month for dependents under the age of 2 and at $175 for other dependents. With those two provisions, households would receive higher benefits, on average, than under current law because less of their income would be considered available for purchasing food. CBO estimates that those two increases in allowable deductions would increase direct spending by $2.4 billion over the 2008-2012 period and $7.0 billion over the 2008-2017 period.

Changes to Asset Limits. In addition to the income test, households that are not considered categorically eligible for food stamps must have countable assets of less than $2,000—or $3,000 for households with an elderly or disabled member—to participate in the program. H.R. 2419 would raise the asset limit by indexing it to the annual change in the CPI-U (measured over the 12-month period ending each June). In addition, it would exclude certain retirement and education savings accounts from the asset calculation. CBO estimates that those provisions would increase direct spending by about $600 million over the 2008-2012 period and $1.9 billion over the 10-year period.

Minimum Benefits. Under current law, the minimum benefit for households of one or two persons is $10 a month. H.R. 2419 would set the minimum benefit at 10 percent of the Thrifty Food Plan for a household of one. CBO estimates that this provision would increase the minimum benefit by $7 per month, on average, over the 2008-2012 period. We estimate that change would increase direct spending by $243 million over five years and by $562 million over the 10-year period.

Fresh Fruit and Vegetable Program. The Child Nutrition and Women, Infants, and Children Reauthorization Act of 2004 permanently authorized $9 million a year for the Fresh Fruit and Vegetable Program in eight states. H.R. 2419 would increase the funding to $70 million a year from 2008 through 2012 and expand the program nationwide. CBO estimates that those changes would increase direct spending by $279 million over the 2008-2012 period and $584 million over the 2008-2017 period.

The Emergency Food Assistance Program. H.R. 2419 would reauthorize and increase funding for commodities for the Emergency Food Assistance Program from the current level of $140 million annually to $250 million in fiscal year 2008. In subsequent years, that amount would be indexed to the annual change in the Thrifty Food Plan. CBO estimates that those changes would increase direct spending by about $600 million over the 2008-2012 period and $1.4 billion over the 2008-2017 period.

Title V: Farm Credit. Title V would amend farm credit programs administered by USDA and change the basis for premium collections by the Farm Credit System Insurance Corporation—a government entity. The increase in premium collections over the next several years would be offset to some extent by lower collections in subsequent years. CBO estimates that the change in premium collections would reduce net direct spending by $378 million over the 2008-2012 period and $306 million over the 2008-2017 period.

Title VI: Rural Development Programs. Title VI would increase direct spending by $114 million over the 2008-2012 period and by $180 million over the 2008-2017 period for grants to producer organizations to enhance the value of agricultural commodities.

Title VII: Research. Title VII would increase direct spending for research on organic agriculture and specialty crops by $265 million over the 2008-2017 period.

Title VIII: Forestry. Title VIII would increase direct spending authority by $10 million per year for USDA's Healthy Forest Reserve Program. That provision would cost $41 million over the 2008-2012 period and $50 million over the 2008-2017 period.

Title IX: Energy. Title IX would reauthorize, amend, and expand energy programs created in the Farm Security and Rural Investment Act of 2002 that promote the production, use, research, and development of renewable and biobased sources of energy. CBO estimates that enacting this title would increase direct spending by $2.4 billion over the 2008-2012 period and $3.1 billion over the 2008-2017 period.

Under the legislation, a Feedstock Flexibility Program would subsidize the use of sugar as a feedstock in the production of ethanol. CBO estimates that by increasing the demand for sugar, the legislation would reduce the combined cost of the sugar support program and the Feedstock Flexibility Program by $107 million over the 2008-2012 period and by $240 million over the 2008-2017 period. In addition, USDA's bioenergy program subsidizes the cost of agricultural feedstocks used to produce ethanol or other biofuels. CBO estimates that amendments made by H.R. 2419 to that program would increase direct spending by $1.3 billion over the 2008-2012 period and $1.4 billion over the 2008-2017 period.

CBO estimates that other direct spending under title IX over the 2008-2017 period would include $800 million to cover the subsidy costs of guaranteed loans for biofuel plants, about $500 million in grants to develop renewable energy systems for farms, $422 million for biomass energy research and development, and $75 million each for a biomass energy reserve and a forest biomass energy reserve.

Title X: Horticulture and Organic Agriculture. Title X would authorize direct spending for new programs to promote horticulture and organic agriculture. Section 10102 would authorize spending of an average of $78 million per year for block grants to states to increase their purchases of specialty crops. CBO estimates that this provision would cost $310 million over the 2008-2012 period and $783 million over the 2008-2017 period.

H.R. 2419 also would increase direct spending by $160 million over the 2008-2012 period and $509 million over the 2008-2017 period for a new program to conduct activities for early pest detection and disease surveillance. Finally, this title would provide funds for promoting organic agriculture, farmers' markets, and a national program for horticultural crops at an estimated cost of $78 million over the 2008-2012 period and $80 million over the 2008-2017 period.

Title XI: Miscellaneous Provisions. Title XI would amend the Federal Crop Insurance Program, provide for country-of-origin labeling by 2008, and provide additional funding for programs to assist beginning and disadvantaged farmers and ranchers (including those who did not file a timely claim under the Pigford class action discrimination suit against USDA). Title XI also would increase offsetting receipts by making it easier to recover mistaken or fraudulent government payments. CBO estimates that enacting this title would reduce direct spending by $3.9 billion over the 2008-2012 period and $5.9 billion over the 2008-2017 period, primarily by shifting the timing of certain crop insurance program expenses beyond 2017 and by speeding up certain collections from farmers currently due after 2017.

Crop Insurance. Under H.R. 2419, beginning with the 2012 crop, payments from farmers to the government for crop insurance coverage would be moved forward a year while federal payments to private insurance companies for their delivery expenses and underwriting gains in this program would be delayed a year. Those shifts between the fiscal years in which collections and payments are made would be repeated in the following years. Thus, the act would have the effect of shifting one year of collections into the 2008-2017 period from the years after 2017, and shifting one year of payments from the 2008-2017 period until after 2017. CBO estimates that those adjustments would reduce net spending recorded over the 2008-2017 period by $2.7 billion. The provision essentially shifts the recording of such costs to years after 2017.

Other amendments to the crop insurance program would reduce delivery and underwriting expenses, increase the fees that farmers pay for catastrophic crop insurance coverage and for the noninsured assistance program, and reduce premium subsidies for area risk plans and the insurance benefits available to farmers that convert native grassland to crop land. Mandatory funding for reimbursement of product development costs and risk-management partnerships also would be reduced. Finally, funding for technology and data-mining efforts to detect fraud would be increased. CBO estimates that those changes would reduce direct spending by $1.1 billion over the 2008-2012 period and by $2.7 billion over the 2008-2017 period.

CBO expects that increasing spending to detect fraudulent payments in the crop insurance program would reduce the cost of the program by $125 million over the 2008-2012 period and $375 million over the 2008-2017 period. Scorekeeping guideline #14 (adopted by the Congress in the conference report for the Balanced Budget Act of 1997) states: "No increase in receipts or decrease in direct spending will be scored as a result of provisions of a law that provides direct spending for administration or program management activities." CBO has concluded that scorekeeping guideline #14 applies to this provision; however, the House Committee on the Budget has directed CBO to include such estimated savings in this cost estimate. Consequently, this estimate reflects savings from additional spending for fraud detection.

Other Spending Provisions. Subtitle C would increase mandatory funding for beginning and disadvantaged farmers and ranchers by $130 million over the 2008-2012 period and $150 million over the 2008-2017 period. Subtitle D would allow individuals who originally filed late claims under the Pigford class action discrimination suit against USDA to refile their claims under an expedited review process and would establish a $100 million mandatory fund as the sole source for any potential awards under the review.

Offsetting Receipts. Section 11310 would amend the Right to Financial Privacy Act of 1978 to require financial institutions to disclose the financial records of any customer to any government authority that certifies, disburses, or collects payments, when the disclosure of such information is necessary to verify the identify of any person in connection with the issuance of a federal payment or collection of funds, or the investigation or recovery of an improper federal payment of collection of funds. CBO estimates that the requirement would increase the recovery of improperly made payments by $118 million over the 2008-2012 period and $283 million over the 2008-2017 period. (Such recoveries are recorded in the budget as offsetting receipts.)

Section 11314 would eliminate the statute of limitations applicable to collection of debt by administrative offset on any debt outstanding on or after the date of enactment of this act. CBO estimates that this provision would enable the federal government to recover $35 million over the 2008-2012 period and $65 million over the 2008-2017 period.

Title XII: Prevention of Tax Treaty Exploitation to Evade United States Taxation. Section 12001 would amend section 894 of the Internal Revenue Code to change the withholding rates that apply to certain cross-country payments of interest, dividends, and royalties. For payments by a U.S. subsidiary of a foreign parent corporation made to a related subsidiary in a country that has a tax treaty with the United States, the provision would require that the U.S. subsidiary pay withholding tax at the higher of the rate that would apply to such a transaction under the treaty or that would apply if the payments had been made to the parent corporation. The Joint Committee on Taxation estimates that the provision would increase revenues by $7.5 billion over the 2008-2017 period.

Title XIII: Additional Offsets. Title XIII would increase offsetting receipts by $6.1 billion over the 2008-2017 period. Most of the increase in offsetting receipts—an estimated $5.8 billion over the 2008-2017 period—would result from provisions in section 13001 affecting certain Outer Continental Shelf leases that allow for the production of oil and natural gas. Under this provision, persons holding deepwater leases would be obligated to pay a “conservation of resources” fee unless those leases include limits on the firm’s eligibility for royalty relief when oil and gas prices exceed certain thresholds. For this estimate, CBO assumes that firms would renegotiate existing leases to include the necessary price limitations instead of paying the fee.

Section 13002 would repeal provisions in the Energy Policy Act of 2005 (Public Law 109-58) that preclude the Bureau of Land Management from collecting certain fees; provide additional royalty relief for oil and gas produced from the OCS from ultra-deep wells, very deep waters, and Alaska; and authorize the Secretary of the Interior to modify the terms of oil and gas leases in the National Petroleum Reserve in Alaska. CBO estimates that repealing those provisions would increase offsetting receipts by a total of $325 million over the 2008-2017 period.

Additionally, section 13003 would shift revenues between 2012 and 2013. For corporations with at least $1 billion in assets at the end of 2011, the provision would increase the portion of corporate estimated tax payments due from July through September of 2012. JCT estimates that this change would increase revenues by $465 million in 2012 and decrease revenues by $465 million in 2013.

Spending Subject to Appropriation

CBO estimates that fully funding the programs authorized by H.R. 2419 would require the appropriation of $41.7 billion over the 2008-2012 period. Of this amount, $23.6 billion would be specifically authorized by H.R. 2419. CBO estimated other authorizations based on information from USDA, the U.S. Agency for International Development, and other government agencies, and on the amounts provided in recent appropriation acts. Estimated authorization levels and outlays, by title, are shown in Table 3.

Title I: Commodity Programs. Section 1409 would establish a Federal Milk Marketing Order Review Commission, which would have two years to conduct a comprehensive review and evaluation of current federal and nonfederal milk marketing order systems and to submit a report on its review and recommendations to the Congress. Based on costs of similar commissions, CBO estimates that this provision would cost $2 million over the 2008-2010 period, assuming the availability of appropriated funds.

TABLE 3. ESTIMATED SPENDING SUBJECT TO APPROPRIATION IN H.R. 2419

	By Fiscal Year, in Millions of Dollars					
	2008	2009	2010	2011	2012	2008-2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Title I, Commodity Programs						
Estimated Authorization Level	2	0	0	0	0	2
Estimated Outlays	1	1	0	0	0	2
Title II, Conservation						
Estimated Authorization Level	290	240	240	240	240	1,250
Estimated Outlays	150	211	232	248	250	1,091
Title III, Trade						
Estimated Authorization Level	2,679	2,681	2,683	2,685	2,687	13,415
Estimated Outlays	1,402	2,181	2,483	2,606	2,653	11,325
Title IV, Nutrition Programs						
Estimated Authorization Level	277	290	307	325	342	1,541
Estimated Outlays	239	289	306	324	341	1,499
Title V, Credit Programs						
Estimated Authorization Level	134	134	134	134	134	670
Estimated Outlays	91	134	134	134	134	627
Title VI, Rural Development						
Estimated Authorization Level	551	551	551	551	551	2,755
Estimated Outlays	57	199	370	463	521	1,610
Title VII, Research						
Estimated Authorization Level	3,914	3,959	3,975	4,001	4,028	19,877
Estimated Outlays	2,094	3,259	3,934	3,986	4,013	17,286
Title VIII, Forestry						
Estimated Authorization Level	17	17	17	17	17	85
Estimated Outlays	10	15	17	17	17	76
Title IX, Energy						
Estimated Authorization Level	302	283	287	364	367	1,603
Estimated Outlays	149	233	289	330	350	1,351
Title X, Horticulture and Organic Agriculture						
Estimated Authorization Level	113	50	52	52	52	319
Estimated Outlays	50	67	63	65	62	307
Title XI, Miscellaneous						
Estimated Authorization Level	42	42	42	42	42	210
Estimated Outlays	28	39	42	42	42	193
Total Changes						
Estimated Authorization Level	8,321	8,247	8,288	8,411	8,460	41,727
Estimated Outlays	4,271	6,628	7,870	8,215	8,383	35,367

Title II: Conservation. CBO estimates that fully funding the programs authorized by title II would result in outlays of $1.1 billion over the 2008-2012 period. Significant components of title II are described below.

Continuation of Current Programs. Title II would extend through 2012 the authority to appropriate $80 million a year for the Grassroots Source Water Protection, Conservation of Private Grazing Land, and Great Lakes Basin programs. The legislation also would authorize the appropriation of $85 million per year for the Small Watershed Rehabilitation Program. Section 2111 would extend the authorization for farm viability programs, which CBO estimates would cost $5 million per year.

New Authorizations. H.R. 2419 would authorize appropriations for three new conservation programs, including:

- $20 million per year for grants to state and tribal governments to encourage private landowners to voluntarily make their land available to the public for hunting and fishing and other recreational activities;

- $50 million per year for payments to producers to help conserve muck soils (soils made up primarily of humus from drained swampland, used primarily for growing specialty crops such as onions, carrots, celery, and potatoes); and

- $50 million to help develop private-sector markets for environmental goods and services produced by farmers, ranchers, and owners of private forest land.

Title III: Trade. CBO estimates that implementing title III would have discretionary costs of $11.3 billion over the 2008-2012 period, assuming appropriation of the necessary amounts. Major components of that total are described below.

Public Law 480. The Agricultural Trade Development and Assistance Act of 1954, typically referred to as Public Law 480, established a variety of programs to provide food assistance to countries around the world. H.R. 2419 would reauthorize the appropriation of funds to implement titles I, II, and III of Public Law 480 over the 2008-2012 period.

Section 3001 would authorize the appropriation of $2.5 billion a year over the 2008-2012 period for emergency and nonemergency food aid around the world, as authorized by title II of Public Law 480. In addition, based on information from USAID, CBO estimates that $100 million would be needed in 2008 to implement programs authorized by titles I and III of Public Law 480. Adjusting for anticipated inflation and based on historical spending patterns for those programs, CBO estimates that, in total, implementing section 3001 would cost $1.4 billion in 2008 and $11 billion over the 2008-2012 period.

Disaster and Famine Assistance. Section 3016 would authorize funds for the International Disaster and Famine Assistance Program. CBO estimates that implementing this provision would cost $154 million over the 2008-2012 period.

Other Programs. H.R. 2419 would authorize the appropriation of funds for additional programs to conserve seeds, resolve trade disputes, increase U.S. representation in international standard-setting bodies, and provide technical assistance to farmers in sub-Saharan Africa and the Caribbean Basin. The act also would authorize the appropriation of funds to provide shelf-stable prepackaged foods to organizations that deliver food to needy individuals, and establish sites to pre-position agricultural commodities in foreign countries to expedite food delivery during emergencies. CBO estimates that implementing those programs would cost $25 million in 2008 and $176 million over the 2008-2012 period.

Title IV: Nutrition Programs. Title IV would authorize the appropriation of $1.5 billion over the 2008-2012 period for a variety of food and nutrition activities.

- The act would authorize the appropriation of $500 million over the 2008-2012 period for administrative costs of the Emergency Food Assistance Program. CBO estimates that outlays would total $475 million over that five-year period.

- H.R. 2419 also would reauthorize the Commodity Supplemental Food Program. Adjusting for anticipated inflation and based on historical spending patterns for this program, CBO estimates that implementing this program would cost $559 million over the five-year period.

- Additionally, the act would authorize the appropriation of $230 million over five years to expand the Senior Farmers' Market Nutrition Program. The act also would authorize $75 million over five years for two new small grant programs and would reauthorize the appropriation of $165 million over the five-year period for two existing programs.

In total, CBO estimates that implementing title IV would result in discretionary outlays of $1.5 billion over the 2008-2012 period.

Title V: Credit Programs. Title V would modify the terms and conditions of certain farm credit programs. CBO estimates that those changes would cost $627 million over the 2008-2012 period, assuming appropriation of the necessary amounts.

Section 5001 would provide loan guarantees, interest subsidies, or both, to enable eligible borrowers to obtain qualified conservation loans to build conservation structures or establish certain conservation practices. Under the legislation, the total outstanding loan level would be limited to $1.0 billion a year. Based on information from USDA, CBO estimates that the subsidy costs of those loans would total $607 million over the next five years.

The legislation also would increase the limit on direct farm ownership loans from $200,000 to $300,000, reduce downpayment requirements for those loans, and increase the guaranteed amount on loans provided for land purchases made by certain socially disadvantaged or beginning farmers. Based on information from USDA, CBO estimates that those changes would cost $20 million over the next five years.

Title VI: Rural Development. Title VI would authorize the appropriation of about $550 million per year over the 2008-2012 period for rural development programs of USDA. H.R. 2419 would establish several new grant programs, including grants for rural firefighters and emergency medical service assistance, rural hospital infrastructure, and broadband transmission facilities to enhance rural public services. CBO estimates that implementing programs under title VI would cost about $1.6 billion over the 2008-2012 period.

Title VII: Research. Title VII would authorize appropriations for many existing and new agricultural research and education programs and initiatives. CBO estimates that implementing this title would cost $17.3 billion over the 2008-2012 period, assuming appropriation of the necessary amounts. About $4.4 billion of that cost would be from funding levels specifically authorized by the legislation. Estimated funding for the other programs is based on information from USDA and on funding levels provided for similar programs or initiatives in recent appropriation bills.

Estimated spending over the 2008-2012 period for those programs includes:

- $2.3 billion for basic research, and for applied, integrated research, such as plant and animal breeding;

- $8.5 billion to upgrade land grant university facilities, including traditionally black, Native American, and Hispanic-serving facilities;

- $1.3 billion for high-priority research and extension initiatives, national genetics resources, organic farming, and other programs;

- $3.0 billion for integrated research, education, and extension competitive grants, agricultural biobased products research, and specialty crops research;

- $1.7 billion for grants to support research facilities and other research initiatives; and

- $0.5 billion for expanded food and nutrition education and for an international agricultural science and technology fellowship program.

Title VIII: Forestry. Title VIII would require USDA to conduct long-term statewide assessments and develop strategies for forest resources, reauthorize the Office of International Forestry, support technologies to improve rural economies, and establish natural resources programs for agricultural educational institutions that serve Hispanic populations. We estimate that implementing this title would cost $76 million over the 2008-2012 period.

Title IX: Energy. CBO estimates that implementing title IX would cost nearly $1.4 billion over the 2008-2012 period. The five-year cost of title IX includes: about $1.0 billion for five programs to promote the use of fuels derived from biomass sources; about $220 million for programs to promote and research energy production from agricultural and other biomass sources; and $100 million for grants to biorefineries and biofuel plants. Finally, this title would authorize a variety of demonstration projects and pilot programs to develop renewable and alternative energy sources.

Title X: Horticulture and Organic Agriculture. CBO estimates that implementing title X would cost $307 million over the 2008-2012 period to support and encourage horticulture and organic agriculture. Estimated five-year outlay totals for significant provisions include:

- $56 million for the Tree Assistance Program to provide disaster assistance for losses of fruit and nut trees;

- $100 million for grants to purchase and operate urban gardens that produce organic fruits and vegetables;

- $15 million to construct a facility in Hawaii to conduct research on multispecies fruit flies and to produce sterile flies (H.R. 2419 also would authorize the appropriation of $1 million per year to maintain the facility);

- $50 million to provide technical and educational assistance for organic conversion activities; and

- $71 million for grants to improve the movement of specialty crops, establish a national clean-plant network, and operate a healthy food urban enterprise development program.

Title XI: Miscellaneous Provisions. CBO estimates that implementing title XI would cost $193 million, assuming appropriation of the necessary amounts for a wide variety of programs, including:

- Grants to reduce the production of methamphetamines from anhydrous ammonia;
- Research and education programs to help protect honey and native bees;
- A National Drought Council to conduct research and educational activities related to droughts; and
- A farmworker coordinator, a minority-farmer advisory committee, and a coordinator for chronically underserved rural areas.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 2419 contains intergovernmental mandates, as defined in UMRA, because it would impose costs on at least one state by increasing the stringency of certain conditions of assistance under the Food Stamp program, and would preempt state laws restricting the interstate transport of meat and poultry inspected under a new program authorized by H.R. 2419. CBO estimates that the total cost of complying with those mandates would not exceed the threshold established in UMRA ($66 million in 2007, adjusted annually for inflation). In general, state, local, and tribal governments would benefit from the continuation of the existing Food Stamp program, the creation of new grant programs, and broader flexibility and options in some areas.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 2419 contains private-sector mandates as defined in UMRA. The bill would:

- Impose new inspection requirements on some sectors of the agriculture industry;
- Amend the Animal Welfare Act to prohibit certain persons from selling or donating dogs or cats to research facilities, and the use of live animals for marketing medical devices; and
- Require financial institutions to disclose the financial records of any customer to government authorities if deemed necessary for the administration of certain government programs.

Based on information from USDA and industry researchers, CBO estimates that the aggregate direct cost of complying with those mandates would fall below the annual threshold established in UMRA for private-sector mandates ($131 million in 2007, adjusted annually for inflation). Under current law, government authorities are directed to reimburse financial institutions for the direct cost of assembling and providing financial records as required by the mandate.

In addition, H.R. 2419 would establish a set of "conservation of resources" fees for certain leaseholders. Section 13001 would impose a new fee on lessees producing oil or gas in deep waters of the OCS unless the lease includes limits on the firm's eligibility for royalty relief when oil and gas prices exceed price thresholds specified in the bill ($34.73 per barrel of oil and $4.34 per million Btu of natural gas, both in 2005 dollars). This conservation of resources fee would be set at $9 per barrel of oil and $1.25 per million Btu for natural gas (both in 2005 dollars) and would apply retroactively to volumes produced since October 1, 2006. Leaseholders could avoid the fee, however, if they renegotiate existing leases to include the necessary limits on royalty relief. CBO estimates that leaseholders affected by the fee on wells currently in production would pay an additional $5.8 billion over the 2008-2017 period, assuming most leaseholders opt to pay royalties under a renegotiated lease instead of the proposed fee. The incremental cost to the private sector would equal the amounts collected by the federal government.

It is, however, unclear whether the fees imposed by section 13001 are mandates as defined in UMRA. The conservation of resources fee would apply to existing deepwater leases that include a standard provision providing that they are subject to "all regulations issued pursuant to [the Outer Continental Shelf Lands Act] in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein." Excluded from UMRA's definition of "federal private-sector mandate" are duties "arising from participation in a voluntary federal program." Therefore, CBO considers any requirements that are imposed pursuant to a voluntary contract with the federal government, such as a deepwater lease, not to be private-sector mandates.[1] It is unclear whether the imposition of a conservation of resources fee is so clearly contemplated by the existing lease agreements that it can be said to have been voluntarily accepted by the leaseholders, and therefore, is not a mandate under UMRA. If the fees do not constitute pre-existing duties under the leases, they would represent new enforceable duties imposed by H.R. 2419 and would be private-sector mandates under UMRA.

1. For example, fees imposed as a part of new nonproducing leases would not constitute private-sector mandates because acceptance of the lease agreement would carry with it an obligation to pay the fee.

PREVIOUS CBO ESTIMATES

On July 24, 2007, CBO transmitted an estimate of the direct spending and revenue impacts of H.R. 2419 as ordered reported by the House Committee on Agriculture on July 19, 2007. Differences in the estimates reflect differences in the versions of H.R. 2419. In particular, the estimate for H.R. 2419 as passed by the House of Representatives on July 27, 2007, includes the budgetary impact of adopted amendments involving the OCS and revenues.

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