CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 1, 2007

Food and Energy Security Act of 2007

As ordered reported by the Senate Committee on Agriculture, Nutrition, and Forestry on October 25, 2007

SUMMARY

The legislation would amend and extend the major farm income support, food and nutrition, land conservation, trade promotion, rural development, research, forestry, energy, specialty crops, and crop insurance programs administered by the U.S. Department of Agriculture (USDA).

CBO estimates that enacting the legislation would increase direct spending for those programs by $3.2 billion over the 2008-2012 period and $3.3 billion over the 2008-2017 period, assuming that many expiring programs are extended pursuant to rules governing baseline projections. When combined with estimated spending under CBO's baseline projections for those programs, enacting the bill would bring total spending for those USDA programs to $283 billion over the 2008-2012 period and $600 billion over the 2008-2017 period.

The legislation would authorize discretionary 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. However, CBO has not yet completed an estimate of the discretionary costs of implementing those provisions.

The legislation contains three intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). It would increase the stringency of conditions of assistance under the Food Stamp program, preempt state laws governing production contracts for livestock or poultry, and preempt state laws that require the disclosure of information to the public. 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).

The bill contains several private-sector mandates, as defined in the Unfunded Mandates Reform Act. Those mandates would expand the country-of-origin labeling program, prohibit packers from owning livestock, require certain processors, poultry

dealers, and financial institutions to comply with reporting or inspection requirements, and place requirements on poultry and livestock agreements. CBO has limited information about the incremental costs of compliance for the expansion of the country-of-origin labeling program and the prohibition on owning livestock. Consequently, we cannot determine whether the aggregate cost of the private-sector mandates in the bill would exceed the annual threshold established in UMRA ($131 million in 2007, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the legislation, including all amendments adopted by the committee, is shown in the following table. 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 the legislation will be enacted near 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 displays the estimated 10-year cost of the legislation by assuming that many of those programs continue to operate indefinitely beyond that five-year authorization period.

The legislation's estimated cost over the 10-year period reflects commodity program provisions that would shift about $7.0 billion in government costs from within the 2008-2017 period until after 2017. In addition, certain crop insurance program provisions would shift about $1.5 billion in expenses from within the 2008-2017 period until after 2017, and shift $1.3 billion of collections for crop insurance coverage from years beyond 2017 to fiscal years within the 2008-2017 period. Together, those changes would shift about $9.8 billion in net government costs from within the 2008-2017 period until after 2017.

ESTIMATED CHANGES IN DIRECT SPENDING AND REVENUES UNDER THE FOOD AND ENERGY SECURITY ACT OF 2007

	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, Producer Income Protection Programs												
Estimated Budget Authority	112	22	-631	-3,700	-585	419	395	346	123	134	-4,782	-3,365
Estimated Outlays	77	87	-608	-3,677	-3,380	412	398	346	123	121	-7,501	-6,101
Title II, Conservation												
Estimated Budget Authority	642	805	1,074	1,118	1,142	806	728	702	-729	-2,242	4,781	4,046
Estimated Outlays	452	674	1,008	1,110	1,180	1,054	793	718	-717	-2,235	4,424	4,037
Title III, Trade												
Estimated Budget Authority	15	32	49	40	37	-32	-40	-40	-40	-40	173	-19
Estimated Outlays	17	32	49	40	37	-15	-39	-40	-40	-40	175	1
Title IV, Nutrition Programs												
Estimated Budget Authority	469	1,018	1,194	1,303	1,428	32	33	34	35	36	5,413	5,583
Estimated Outlays	304	1,027	1,202	1,307	1,432	176	29	32	34	35	5,271	5,577
Title V, Credit Programs												
Estimated Budget Authority	100	0	0	0	0	0	0	0	0	0	100	100
Estimated Outlays	-110	-108	-128	36	32	27	22	16	8	-1	-278	-206
Title VI, Rural Development												
Estimated Budget Authority	400	0	0	0	0	0	0	0	0	0	400	400
Estimated Outlays	19	80	109	87	60	32	10	3	0	0	355	400
Title VII, Research and Related Matters												
Estimated Budget Authority	32	32	-168	-168	-168	-200	-200	-200	-200	-200	-440	-1,440
Estimated Outlays	16	26	2	-68	-128	-184	-194	-200	-200	-200	-152	-1,130
Title IX, Energy												
Estimated Budget Authority	940	70	70	15	5	0	0	0	0	0	1,100	1,100
Estimated Outlays	58	156	260	301	245	60	11	7	2	0	1,020	1,100
Title X, Livestock Marketing, Regulatory,												
Estimated Budget Authority	1	0	0	0	0	0	0	0	0	0	1	1
Estimated Outlays	1	0	0	0	0	0	0	0	0	0	1	1
Title XI, Miscellaneous												
Estimated Budget Authority	-11	-34	-35	-36	-37	-37	-38	-39	-40	-41	-153	-348
Estimated Outlays	-11	-34	-35	-36	-37	-37	-38	-39	-40	-41	-153	-348
Total Changes												
Estimated Budget Authority	2,700	1,945	1,553	-1,428	1,822	988	878	803	-851	-2,353	6,592	6,057
Estimated Outlays	823	1,940	1,859	-900	-559	1,525	992	843	-830	-2,361	3,163	3,332

Continued

ESTIMATED CHANGES IN DIRECT SPENDING AND REVENUES UNDER THE FOOD AND ENERGY SECURITY ACT OF 2007 (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												
Estimated Revenues	2	2	2	2	2	2	2	2	2	2	10	20
MEMORANDUM												
Estimated Spending Under Baseline Assumptions												
Estimated Budget Authority	55,31	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 the Bill												
Estimated Budget Authority	58,01	58,014	57,851	55,693	60,397	60,980	62,522	62,857	64,297	65,792	289,936	606,384
Estimated Outlays	55,365	57,320	57,306	55,714	57,779	61,386	62,522	62,837	64,235	65,649	283,484	600,113

Note: Changes in spending are measured relative to CBO's March 2007 baseline projections.

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 $7.5 billion over the 2008-2012 period and by $6.1 billion over the 2008-2017 period, relative to our baseline estimates of continuing USDA's commodity programs as they operate under current law. (The current-law authorization of those programs expired on September 30, 2007, although some final payments will be made after that date.) Major components of that estimate are described below.

Choice Between Program Benefits. Producers would be required to make a single choice for all eligible crops on a farm between a new program, the Average Crop Revenue Program (ACRP), and traditional program benefits (direct payments, countercyclical payments and nonrecourse loan program benefits), beginning with the 2010, 2011, or 2012 crop.

The new ACRP program would provide producers with a fixed payment equal to $15 per acre on 100 percent of their base acres (i.e., historical acres of program crops), and a variable revenue payment on 85 percent of their base acres. The variable payment would be determined for farms on a state-by-state basis. It would be paid whenever the actual average state revenue per acre for a crop (actual state yield times the harvest-time price) was less than the guaranteed revenue. The revenue guarantee would equal 90 percent of the expected average revenue per acre by state for an eligible crop. The payment would be equal to 90 percent of the shortfall in average revenue per acre from the level guaranteed for a crop for each state.

To estimate the cost of the programs, CBO compared the benefits to producers of choosing the traditional program versus the ACRP. We expect that producers would choose the program with the greater benefits, based on the crop mix on their farm. Some crops (e.g., corn and soybeans) are typically grown on the same farm, so the choice of program option would likely be made on a combination of benefits, rather than for the individual crops. CBO expects that producers of feed grains, wheat, and soybeans would tend to choose the ACRP program, while growers of upland cotton, rice, and peanuts would tend to choose traditional program benefits.

Compared to current law, on a crop-year basis, the choice between traditional programs and the ACRP would *increase* government costs by $4.7 billion over 10 years. However, on a fiscal-year basis, the choice between traditional programs and the ACRP would *reduce* government costs by $2.4 billion over 10 years because the schedule for ACRP payments would be slower than traditional payments. Thus, some of the costs of the new program would not occur until after 2017.

ACRP Payments. CBO estimates that ACRP payments would have a value of $14 billion for crop years 2008-2012; however, only $4 billion of that cost would be paid in fiscal years 2008-2012. Likewise, we estimate that ACRP payments would have a value of $40 billion for crop years 2008-2017, but only $29 billion would be paid in fiscal years 2008-2017. This difference in the value of the payments and the cost recorded on the budget is largely caused by the requirement that the ACRP payments be delayed until the second fiscal year after the crop is harvested.

Traditional Direct and Countercyclical Payments for Covered Commodities. In addition to offering the proposed ACRP, the legislation would authorize USDA to continue direct payments to producers of grains, oilseeds, and cotton who choose not to enroll in the new program. 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. When taking into account producer choice, total direct payments would be reduced by $8.2 billion over the 2008-2012 period and $25.8 billion over the 2008-2017 period.

The legislation would increase target prices under the countercyclical payment provision for all eligible crops except corn, cotton, and rice. Corn and rice target prices would remain the same, while cotton would be reduced by less than 1 percent. Countercyclical payments also would be authorized for the first time for legumes. Advance countercyclical payments would be eliminated beginning with the 2011 crop. Costs due to changes in target prices would be offset by reduction in traditional countercyclical payments from producers who choose ACRP, for a net reduction of $328 million over the 2008-2012 period and $1.9 billion over the 2008-2017 period.

Loans and Loan Deficiency Payments. For producers who choose not to enroll in the ACRP, the legislation would reauthorize USDA's crop loan and marketing loan programs for the commodities that are currently eligible to receive those benefits, but the legislation would provide for higher loan rates than under current law for wheat, barley, oats, minor oilseeds, graded wool, and honey, and reduce loan rates relative to current law for dry peas and lentils. The bill also would reduce cotton loan benefits based on changes to the way quality is taken into account when determining loan repayment rates. Under the bill, loans and loan-deficiency payments would be authorized for the first time for large chickpeas. In addition, the legislation would authorize a new payment of 4 cents per pound of cotton processed by domestic cotton mills through June 30, 2013. CBO estimates that provision would cost about $420 million over 10 years. Changes in loan rates, together with producers forgoing loan benefits to participate in the ACRP, would result in a net reduction of loan program benefits of $4.2 billion over the 2008-2017 period.

Payment Limits. The legislation would amend provisions of current law designed to limit total USDA benefit payments to producers (known as payment limitations). Under the legislation, producers would be denied program payments if the average of their three-year adjusted gross income (AGI) is more than $1 million in 2009, or more than $750,000 in subsequent years, unless at least two-thirds of that 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 (including the fixed component under the ACRP) of no more than $40,000. Traditional countercyclical payments would be limited to $60,000 per person. No limits would be placed on marketing loan benefits or the revenue component of ACRP. CBO estimates that those changes to payment limitation provisions would reduce spending on USDA benefit programs by $191 million over the 2008-2012 period and $456 million over the 2008-2017 period, relative to the costs of operating the programs under current law.

Peanuts. For producers who do not enroll in the ACRP, the legislation would authorize payments from the Commodity Credit Corporation (CCC) to eligible peanut producers for handling and related charges for peanuts placed under loan. Those payments would be repaid by producers when the loans are redeemed. If peanut loans were forfeited, CCC would pay producers for the cost of storage, handling, and related costs. CBO expects that the payment of all storage and handling costs would increase the forfeiture of peanut loans by about 10 percent, at a cost of $84 million for the 2008-2012 period, and $175 million for the 2008-2017 period.

Sugar. Section 1501 would increase the loan rate for sugar cane by a quarter of a cent per year, from $0.18 per pound in 2008 to $0.19 per pound in 2012. The loan rate for beet sugar would be increased to 128.5 percent of the cane rate, up from the current rate of 127.2 percent. CBO estimates that, under the bill, the cost of the sugar program would increase by $80 million over the 2008-2012 period and by $289 million over the 2008-2017 period. In addition, under the legislation, a Feedstock Flexibility Program would subsidize the use of sugar as a feedstock in the production of ethanol. By increasing the demand for sugar, CBO estimates that the legislation also would reduce the cost of the sugar support program by $108 million over the 2008-2012 period and $287 million over the 2008-2017 period. The net effect of the legislation on the sugar program would be a reduction in spending of $28 million over five years and an increase in spending of $2 million over the next 10 years.

Dairy. The legislation would reauthorize the Milk Income Loss Contract (MILC) program and would increase the payment factor from 34 percent to 45 percent of the difference between the monthly Boston Class I price and average milk prices. The total quantity of milk eligible for payment would increase from 2.40 million pounds to 4.15 million pounds per dairy operation per year. Those increases would only be applicable through August 31, 2012. At that time, the payment rates and poundage limits would revert to the levels specified in current law. CBO estimates that those increases in MILC program parameters would increase costs by $456 million over the 2008-2017 period.

Specialty Crops. The legislation would add several new provisions to support specialty crops. CBO estimates that those provisions would cost $388 million over the 2008-2017 period. All of those provisions would be applicable only through the 2012 crop.

Crop Insurance. Under the bill, beginning with the 2012 crop, payments from farmers to the government for crop insurance coverage would be moved forward one year, while federal payments to private insurance companies for their delivery expenses and underwriting gains in this program would be delayed one year. Those shifts between the fiscal years in which collections and payments are made in the crop insurance program would be repeated in the following years as well. Thus, the bill 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 into the period after 2017. CBO estimates that those adjustments would reduce spending over the 2008-2012 period by $2.8 billion. Spending over the 2008-2017 period would be reduced by the same amount.

Other amendments to the crop insurance program would reduce the target loss ratio and delivery expenses, increase the fees farmers pay for catastrophic crop insurance coverage and for the noninsured assistance programs, and reduce the insurance benefits available to farmers that convert native grassland to crop land. In addition, mandatory funding for reimbursements for product development expenses and risk management partnerships would be reduced, while the availability of funding for efforts to detect fraud would be increased. CBO estimates that those changes would reduce direct spending by $713 million over the 2008-2012 period and $1.7 billion over the 2008-2017 period.

Title II: Conservation Programs

This title would reauthorize and expand land conservation programs administered by USDA. CBO estimates that enacting those provisions would increase net spending by $4.4 billion over the 2008-2012 period and by $4.0 billion over the 2008-2017 period. Significant changes in conservation programs would include:

- Expanding enrollment in the Wetland Reserve Program by 250,000 acres per year through 2012, with no further enrollment beginning in 2013, at an estimated cost of $1.7 billion over the 2008-2012 period and $1.9 billion over the 2008-2017 period;

- Providing $2.3 billion to fund existing Conservation Security Program (CSP) contracts through 2017. Beginning in fiscal year 2008, enrollment in a modified Conservation Stewardship Program would be limited 79.638 million acres, at an average cost of $19 per acre. CBO estimates that those modifications would increase direct spending by $2.0 billion over the 2008-2012 period and $1.3 billion over the 2008-2017 period;

- Providing a total of $240 million to purchase additional easements in the Grasslands Reserve Program over the period 2008-2017;

- Providing $112 million over the 2007-2017 period for a new program to improve wildlife habitat on acres enrolled in the Conservation Reserve Program; and

- Adding $20 million per year for a new Voluntary Public Access and Habitat Incentive Program to encourage landowners to allow public access for wildlife-dependent recreation and $33 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 through 2012. The legislation would increase limits on direct spending for several programs. CBO estimates that enacting title III would increase direct spending by $175 million over the 2008-2012 period and $1 million over the 2008-2017 period.

Limit Repayment Period of GSM Export Credit Guarantee Program. Section 3102 would reduce the repayment period for loans guaranteed under the GSM Export Credit Guarantee Program to six months, beginning in fiscal year 2013, for a savings of $157 million over the 2008-2017 period. The legislation also would eliminate the Supplier Credit Program and increase loan origination fees for an additional savings of $48 million over that period.

Increased Funding for the Market Access Program. Section 3103 would reauthorize and increase funding for the Market Access Program, an export promotion program funded through CCC. The legislation would increase annual funding for the program through 2012. CBO estimates that direct spending would increase under the legislation by $94 million over the 2008-2012 period and $102 million over the 2008-2017 period.

Other Programs. The legislation also would increase spending through 2012 for USDA's Foreign Market Development Program and for the Food for Progress Program. CBO estimates that, together, those changes would increase direct spending by $104 million over the 2008-2017 period.

Title IV: Nutrition Programs

Title IV would reauthorize the Food Stamp program (renaming it the Food and Nutrition Program) and make it permanent. It also would make several temporary changes to the program that would expire in 2012. Consistent with the budget baseline projection rules in section 257 of the Deficit Control Act, the costs of extending the Food Stamp program are included in CBO's baseline and are therefore not included in the costs attributable to this bill. CBO estimates that those costs would total about $397 billion over the 2008-2017 period.

In addition, title IV would reauthorize and modify related nutrition programs and make most of them permanent. The most significant changes affecting costs are summarized below. CBO estimates that enacting title IV would increase direct spending by $5.3 billion over the 2008-2012 period and $5.6 billion over the 2008-2017 period, relative to CBO's baseline projections.

Deductions from Income. The legislation includes two provisions that would increase the amount that households can deduct from gross income in determining their level of 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 bill would increase the minimum standard deduction to $140 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, the bill would eliminate the cap on the amount of dependent care costs that a household can deduct from income. That deduction is currently capped at $200 a month for dependents under the age of 2 and at $175 for other dependents. Under those two provisions, households would, on average, receive higher benefits than under current law because less of their income would be considered available for purchasing food. Those provisions would expire in 2012, and the deductions would revert to their previous levels. Together, CBO estimates that those two increases in allowable deductions would increase direct spending by $1.6 billion over the 2008-2012 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. This legislation would raise the asset limit in fiscal year 2008 to $3,500 for most households and to $4,500 for elderly and disabled households. In subsequent years, these levels would be indexed to the annual change in the CPI-U (measured over the 12-month period ending each June) and rounded to the nearest lower $250 increment. In addition, the bill would exclude certain retirement and education savings accounts from the asset calculation. CBO estimates that those provisions, which would expire in 2012, would increase direct spending by $1.5 billion over the 2008-2012 period.

Changes to Reporting Requirements. The bill would give states the option to modify and expand requirements to simplify reporting for households that include elderly, disabled, or migrant individuals. The Farm Security and Rural Investment Act of 2002 gave states the option to limit, for most households, the frequency of reporting on changes in household circumstances to every six months, unless household income exceeds the gross income limit. Under the bill, states would have the option to establish a 12-month simplified reporting period for elderly or disabled people without earnings. Homeless and migrant people also would be eligible for simplified reporting with shorter reporting periods. This change to the Food Stamp program would be permanent, and CBO estimates that it would increase direct spending by $123 million over the 2008-2012 period and just over $300 million over the 2008-2017 period.

Unemployed Adults. The bill would change the time limit for participation by able-bodied adults without dependents (ABAWDs) in the Food Stamp program for the 2009-2012 period. Under current law, individuals between the ages of 18 and 50 who are not disabled and do not have dependents are limited to three months of Food Stamp benefits in a 36-month period, unless they meet a work requirement or are eligible for a waiver. ABAWDs are eligible for a subsequent three months of benefits if they requalify for benefits by meeting the work requirement but later lose their job or no longer participate in job training. This legislation would extend the initial period of eligibility to six months and eliminate the period of subsequent eligibility. Those amendments would take effect on October 1, 2008, and expire at the end of 2012. CBO estimates that this provision would increase direct spending by $64 million over the 2009-2012 period.

Transitional Food Stamps. This legislation would grant states the option to provide up to five months of Food Stamp benefits to households with children leaving public assistance programs that are solely state-funded. Under current law, states have the option to provide transitional food stamps to households leaving the TANF program. The provision would expand eligibility to programs funded entirely with state funds through 2012. The benefit would be based on the level the household received just prior to leaving the state program, adjusted for the loss of cash assistance and, at state option, for information from other assistance programs. CBO estimates that this provision would increase direct spending by $58 million over the 2008-2012 period.

Minimum Benefits. Under current law, the minimum benefit for households of one or two persons is $10 a month. The bill includes a provision that would set the minimum benefit at 10 percent of the Thrifty Food Plan for a household of one. CBO estimates that the 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 $214 million over five years.

The Emergency Food Assistance Program. The bill would reauthorize $140 million in annual funds for commodities for the Emergency Food Assistance Program (TEFAP). It also would provide an additional $110 million a year for fiscal years 2008-2012. CBO estimates that this change would increase direct spending by $550 million over the 2008-2012 period.

Fresh Fruit and Vegetable Program. The Child Nutrition and WIC Reauthorization Act of 2004 permanently authorized $9 million a year for the Fresh Fruit and Vegetable Program in eight states. This bill would increase the funding to $225 million in fiscal year 2008 and index that amount through 2012 to the annual change in the CPI-U (measured over the 12-month period ending each June). In 2013, the program would revert to its current law level of $9 million a year. CBO estimates that those changes would increase direct spending by $991 million over the five-year period and $1.1 billion over the 2008-2017 period.

Title V: Farm Credit

Title V would amend farm credit programs administered by USDA, broaden lending authorities of the Farm Credit System, and change the basis for premium collections by the Farm Credit System Insurance Corporation, a government entity. CBO estimates that the change in premium collections would reduce direct spending by $378 million over the 2008-2012 period and $306 million over the 2008-2017 period.

The legislation also 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. CBO estimates that this provision would cost $100 million.

Title VI: Rural Development Programs

CBO estimates that title VI would increase direct spending by $355 million over the 2008-2012 period and $400 million over the 2008-2017 period for several direct loan and grant programs to build day care facilities and hospitals in rural areas, and to fund water and waste disposal projects. Such funds also would be used to establish a program to provide assistance to rural small business owners, and a program to award grants to regional boards to develop and implement rural investment strategies.

Title VII: Research and Related Matters

Title VII would increase direct spending for research on organic agriculture and specialty crops by $160 million over the 2008-2017 period. The legislation also would end mandatory funding for the Initiative for Future Agriculture and Food Systems, for a savings of $1.3 billion 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 production, use, research, and development of renewable and biobased sources of energy. CBO estimates that enacting this title would increase direct spending by $1.0 billion over the 2008-2012 period and $1.1 billion over the 2008-2017 period.

USDA's bioenergy program subsidizes the cost of agricultural feedstocks used to produce ethanol or other biofuels. CBO estimates that amendments made by the legislation would increase that program's direct spending by $245 million over the 2008-2017 period.
Over the 2008-2017 period, CBO estimates that other spending under this title would cost $300 million to cover the subsidy costs of guaranteed loans for biofuel plants, $230 million in grants and loan guarantees to develop renewable energy systems for farms and small rural businesses, $75 million for biomass energy research and development, and $160 million for helping producers make the transition to growing, harvesting, and transporting biomass crops. In addition, the legislation would provide a total of $90 million for a variety of programs for testing, education, research, and experimentation for bioenergy products and uses.

Title X: Livestock Marketing, Regulatory, and Related Programs

Title X would provide $1 million in CCC funds to the National Sheep and Goat Industry Improvement Center.

Title XI: Miscellaneous Provisions

Section 11068 would amend the Right to Financial Privacy Act of 1978 to require, under certain circumstances, that financial institutions disclose the financial reports of certain customer to government authorities. CBO estimates that the requirement would increase the recovery of improperly made payments by $118 million over the 2008-2012 period and $238 million over the 2008-2017 period. Such recoveries are recorded in the budget as offsetting receipts.

Section 11069 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.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The legislation would give the Secretary of Agriculture the ability to prohibit a state from collecting overpayments by the Food Stamp program from some or all households that receive excess benefits due to a major systemic error by the state agency. Because states would have little flexibility to adjust their financial responsibilities in that program to absorb the costs of those overpayments, the prohibition would be an intergovernmental mandate as

defined in UMRA. CBO estimates, that the costs of the prohibition would likely be small and well below the threshold established in UMRA.
The legislation also contains two preemptions of state and local laws. It would preempt state and local laws that would otherwise require public disclosure of information from USDA about animals that are infected with disease or pests. It also would preempt state laws relating to production contracts for livestock or poultry that are less stringent than the new federal standard authorized in this bill. Those preemptions would be intergovernmental mandates as defined in UMRA, but CBO estimates that they would not impose significant costs on state or local governments.

In general, state, local, and tribal governments would benefit from the continuation of the existing Food Stamp program, the creation of new grants, and broader flexibility and options in some areas.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The bill contains several mandates, as defined in UMRA, that would affect private-sector entities. Those mandates would:

- Expand of the country-of-origin labeling program to include labeling for goat meat and macadamia nuts;
- Prohibit certain packers from owning, feeding, or controlling livestock more than 14 days before slaughter;
- Require certain processors, poultry dealers, and financial institutions to comply with various reporting or inspection requirements; and
- Place requirements on poultry and livestock agreements.

CBO expects that the costs to comply with the reporting requirements would be small. CBO has limited information about the incremental costs of complying with the expanded requirements of the country-of-origin labeling program or the prohibition on owning livestock. Consequently, we cannot determine whether the aggregate cost of the mandates in the bill would exceed the annual threshold established in UMRA for private-sector mandates ($131 million in 2007, adjusted annually for inflation).

ESTIMATE PREPARED BY:

Federal Costs: Kathleen FitzGerald (226-2820)—for nutrution provisions
Jim Langley, Greg Hitz, and Dave Hull (226-2860)—for other provisions

Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum and
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Impact on the Private Sector: Amy Petz (226-2940) and Keisuke Nakagawa (226-2666)

ESTIMATE APPROVED BY:

Theresa Gullo
Deputy Assistant Director for Budget Analysis

November 1, 2007

Honorable Tom Harkin
Chairman
Committee on Agriculture,
Nutrition, and Forestry
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The Congressional Budget Office has prepared the enclosed cost estimate for the Food and Energy Security Act of 2007.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Jim Langley, who can be reached at 226-2860.

Sincerely,

Peter R. Orszag

Enclosure

cc: Honorable Saxby Chambliss
Ranking Republican Member