CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 25, 2001

H.R. 2213
A bill to respond to the continuing economic crisis adversely affecting American agricultural producers

As ordered reported by the House Committee on Agriculture on June 20, 2001

SUMMARY

H.R. 2213 would authorize new direct spending of $5.5 billion from the Commodity Credit Corporation to benefit agricultural producers. The bill also would make certain technical corrections to agriculture laws and would increase payment limitations for marketing assistance loan benefits; CBO estimates that these other provisions would have no cost. Because the bill would increase direct spending by $5.5 billion in 2001, pay-as-you-go procedures would apply.

H.R. 2213 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). It would require the state of Georgia to make payments to tobacco producers in that state as a condition of federal assistance to those producers. Any such payments would be voluntary.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2213 is shown in the following table. The costs of this legislation fall within budget functions 350 and 600 (agriculture and income security).

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	5,500	0	0	0	0	0
Estimated Outlays	5,500	0	0	0	0	0

BASIS OF ESTIMATE

H.R. 2213 would authorize the Secretary of Agriculture to use the Commodity Credit Corporation (CCC) to make $5.5 billion available to agricultural producers in 2001. Most of these funds would go directly to producers who were eligible to receive the assistance provided in the Agricultural Risk Protection Act of 2000 and the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001. About $159 million would be given to the states and Puerto Rico to support speciality crops, and states would receive $10 million to pay for costs associated with processing, transporting, and distributing commodities under the provisions of the Emergency Food Assistance Program. The bill would require that all obligations and expenditures be made prior to September 30, 2001, and that any funds not obligated by that date would be rescinded.

Section 1 would provide $4.6 billion for payments for market loss assistance to producers of feed grains, wheat, cotton, and rice. Sections 2 through 6 would provide $424 million to oilseed producers, $54 million to peanut producers, $129 million to tobacco producers, $17 million to wool and mohair producers, and $85 million to producers and first handlers of cottonseed. Under this bill, the Secretary could make tobacco payments to producers in Georgia only if the state of Georgia makes $13 million in payments to the same eligible producers in the state in a timely manner. For this estimate, CBO assumes that Georgia would make these payments.

Section 9 would make certain technical corrections to current law regarding indemnity payments for cotton producers. CBO estimates these corrections would have no cost. These provisions deal with payments to cotton producers in Georgia. The 1999 agricultural appropriations act authorized the Secretary of Agriculture to transfer $5 million to the State of Georgia to establish an indemnity fund to assist cotton producers who suffered income losses resulting from the failure of certain cotton merchants to pay producers for their cotton. As a condition of the payment, Georgia was required to contribute a matching $5 million to the indemnity fund. The $5 million from the Agriculture Department has already been transferred and used to make payments to eligible producers. However, Georgia did not contribute its share in a timely manner, despite an extension of the deadline in the 2001 agricultural appropriations act. Section 9 would extend the deadline for Georgia to contribute its share of the indemnity funds, but would not authorize or permit any additional federal funds to be expended.

Section 10 would increase the payment limitations for loan deficiency payments (LDPs) and marketing loan gains (MLGs) to $150,000 per person during the 2001 crop year. LDPs and MLGs allow producers to repay commodity loans at less than the full amount of the loan whenever market prices drop below specified levels for each eligible commodity. The limitation for these payments was originally $75,000 per person. The Agriculture Department is authorized to issue loan benefits in the form of commodity certificates instead of cash payments. Such certificates ultimately result in equivalent cash outlays by the department, but do not count against payment limitations. Consequently, CBO estimates that the bill's changes to payment limitations on LDPs and MLGs would not result in any additional federal outlays.

Section 11 would require that all expenditures authorized by this bill be made not later than September 30, 2001. Any funds that have not been obligated by that date shall be deemed unexpendable and shall be rescinded. In general, each provision of H.R. 2213 specifies that payments are to be made to eligible producers who previously received a similar payment or directly to states. Hence, USDA would not be required to undertake a lengthy sign-up process to determine who is eligible for payments. CBO estimates that all the authorized payments would be made by September 30.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in outlays	5,500	0	0	0	0	0	0	0	0	0	0
Changes in receipts	Not applicable										

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2213 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would authorize grants to states for activities to promote agriculture and for support of certain specialty crops. In addition, the bill would authorize payments to tobacco producers in certain states, but would make the payment to producers in Georgia contingent upon an agreement by the state to make payments to those same producers totaling $13 million. Any such payments by the state would be voluntary.

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