



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 13, 2007

### **S. 221**

### **Fair Contracts for Growers Act of 2007**

*As reported by the Senate Committee on the Judiciary on May 17, 2007*

S. 221 would amend federal law governing the use of arbitration in certain contracts with poultry and livestock growers. Under the bill, any dispute arising from a contract involving a livestock or poultry producer that is entered into or modified in any way after the date of enactment would be subject to arbitration only in situations where all contracting parties give written consent to its use. If arbitration is elected, the arbitrator would be required to provide a written explanation of the factual and legal basis for any award determination.

CBO expects that the number of disputes heard in federal and state courts would increase under the bill; however, such an increase would likely have an insignificant effect on the courts' overall caseload. As such, CBO estimates that implementing S. 221 would have no significant cost over the next five years. Enacting the bill would have no effect on direct spending or revenues.

S. 221 would impose no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

S. 221 would impose private-sector mandates, as defined in UMRA, on parties involved in livestock or poultry contracts that provide for arbitration and on arbitrators elected to resolve disputes under those contracts. The bill would impose a mandate by requiring such contracts to allow arbitration only after both parties in a dispute agree in writing to arbitration after the controversy arises. The bill also would require an arbitrator elected to resolve a dispute in such cases to provide the parties with a written explanation of the factual and legal basis for the award. Based on information from industry sources, CBO estimates that the direct cost of those mandates would fall well below the annual threshold established in UMRA (\$131 million in 2007, adjusted annually for inflation).

The CBO staff contacts for this estimate are Daniel Hoople (for federal costs), and Paige Piper/Bach (for the private-sector impact). This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.