

October 5, 2007

Honorable Collin C. Peterson
Chairman
Committee on Agriculture
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

As you requested, CBO has prepared a cost estimate for H.R. 2419, the Farm, Nutrition, and Bioenergy Act of 2007, as passed by the House of Representatives on July 27, 2007, with an additional provision related to the federal crop insurance program. In your letter dated October 4, 2007, you indicated that the text of the act passed by the House contained a drafting error in that it did not include a particular provision concerning the actuarial soundness of the crop insurance program. Previous versions of the legislation reviewed by CBO contained such a provision, including the text of the legislation that was ordered reported by the House Committee on Agriculture on July 23, 2007.

The provision regarding the federal crop insurance program would reduce direct spending by \$222 million over the 2008-2017 period, CBO estimates. The enclosed table illustrates the impact that the crop insurance provision would have if it were added to the text of H.R. 2419 as passed by the House. A separate cost estimate for H.R. 2419, as passed by the House of Representatives, was transmitted by CBO on October 5, 2007.

If the provision regarding the actuarial soundness of the crop insurance program were to be inserted into the text of H.R. 2419 as passed by the House of Representatives, CBO estimates that enacting such legislation would increase direct spending by \$3.5 billion over the 2008-2012 period and by \$7.5 billion over the 2008-2017 period. Such legislation would have the same

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impact on revenues as CBO and the Joint Committee on Taxation estimated for H.R. 2419 as passed by the House—an increase in revenues of \$3.7 billion over the 2008-2012 period and an increase of \$7.5 billion over the 2008-2017

period. Adding direct spending and revenues together, the net budgetary impact of such combined legislation (that is, including the additional crop insurance provision) would yield net budget savings of \$267 million over the 2008-2012 period and \$25 million over the 2008-2017 period.

If you have further questions regarding CBO's estimates of the budgetary impact of H.R. 2419, we will be pleased to answer them. The CBO staff contact is Jim Langley.

Sincerely,

Peter R. Orszag
Director

Enclosure

cc: Honorable Bob Goodlatte
Ranking Minority Member

Identical letter sent to the Honorable John M. Spratt Jr.

ESTIMATED CHANGES IN DIRECT SPENDING FOR H.R. 2419 AS PASSED BY THE HOUSE JULY 27, 2007, AND FOR A PROVISION CONCERNING THE ACTUARIAL SOUNDNESS OF THE FEDERAL CROP INSURANCE PROGRAM

	By Fiscal Year, in Millions of Dollars										2008-	2008-
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2012	2017
CHANGES IN DIRECT SPENDING												
Total Changes in Direct Spending for H.R. 2419 as Passed by the House of Representatives												
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
Provision on Actuarial Soundness of the Crop Insurance Program												
Estimated Budget Authority	0	-10	-22	-33	-32	-32	-32	-32	-31	-32	-97	-256
Estimated Outlays	0	3	-10	-22	-35	-32	-32	-32	-31	-31	-64	-222
Net Direct Spending for H.R. 2419 with Crop Insurance Provision												
Estimated Budget Authority	1,594	1,901	2,263	2,026	1,240	1,466	1,201	1,323	338	-941	9,024	12,412
Estimated Outlays	788	1,417	1,742	1,572	-2,069	1,841	1,465	1,332	324	-939	3,450	7,474
CHANGES IN REVENUES												
Estimated Revenues	433	635	682	733	1,234	343	828	849	870	892	3,717	7,499
NET IMPACT												
Net Budgetary Impact ^a	355	782	1,060	839	-3,303	1,498	637	483	-546	-1,831	-267	-25

Source: Congressional Budget Office. Changes in revenues estimated by the Joint Committee on Taxation.

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

a. Assumes inclusion of the provision on actuarial soundness of the crop insurance program. Negative numbers indicate a decrease in deficits or increase in surpluses.
