



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 22, 2008

H.R. 6849

A bill to amend the commodity provisions of the Food, Conservation, and Energy Act of 2008 to permit producers to aggregate base acres and reconstitute farms to avoid the prohibition on receiving direct payments, countercyclical payments, or average crop revenue election payments when the sum of the base acres of a farm is 10 acres or less, and for other purposes

As ordered reported by the House Committee on Agriculture on September 19, 2008

SUMMARY

H.R. 6849 would suspend a prohibition on the U.S. Department of Agriculture's (USDA's) authority to make payments to certain farmers and ranchers for 2008 and 2009 crops. It also would reduce funds appropriated to USDA, under the Food, Energy, and Conservation Act of 2008 (the 2008 Farm Act), for information technology equipment for the federal crop insurance program.

CBO estimates that suspending the prohibition on payments would increase direct spending for agricultural income protection programs by \$20 million over the 2009-2018 period. We also estimate that reducing funds for information technology would reduce spending by \$20 million over the same period. Thus, CBO estimates that enacting H.R. 6849 would have no significant impact on direct spending over the 2009-2018 period. Enacting the bill would not affect revenues or discretionary spending.

H.R. 6849 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

For this estimate, CBO assumes that H.R. 6849 will be enacted near the start of 2009. The bill’s estimated budgetary impact is shown in the following table. The costs of this legislation fall within budget function 350 (agriculture).

	By Fiscal Year, in Millions of Dollars										2009-	2009-
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013	2018
CHANGES IN DIRECT SPENDING												
Suspend Prohibition on Payments to Farms of 10 Acres or Less												
Estimated Budget Authority	11	9	0	0	0	0	0	0	0	0	20	20
Estimated Outlays	11	9	0	0	0	0	0	0	0	0	20	20
Reduce Information Technology Funding												
Estimated Budget Authority	-6	-7	-7	0	0	0	0	0	0	0	-20	-20
Estimated Outlays	-2	-6	-7	-5	0	0	0	0	0	0	-20	-20
Total												
Estimated Budget Authority	5	2	-7	0	0	0	0	0	0	0	0	0
Estimated Outlays	9	3	-7	-5	0	0	0	0	0	0	0	0

BASIS OF ESTIMATE

CBO estimates that suspending a prohibition on certain agricultural income support payments would increase direct spending. We also estimate that reducing funds available to USDA for information technology would reduce direct spending. Taken as a whole, CBO estimates that those effects would fully offset each other, resulting in no significant net change in direct spending over the next 10 years.

Increased Payments to Certain Farmers and Ranchers

The Food, Energy, and Conservation Act of 2008 prohibits direct, countercyclical, or average crop revenue election payments to producers of 2008-2012 crops if the sum of base acres on the farm is 10 acres or less, unless the farm is owned by a socially disadvantaged or limited resource farmer or rancher, as determined by the Secretary of Agriculture. (The Farm Act defines “socially disadvantaged or limited resource” farmers or ranchers as those who have suffered certain kinds of discrimination.) Each farm’s base acres are an average of the

number of acres planted in each crop (feed grains, oilseeds, wheat, rice, cotton, and pulse crops) over a specified historical period. A farm's base acres do not increase or decrease over time.

According to USDA, about 255,000 farms in 2006 with total crop base of 10 acres or less received about \$23 million in payments. Information from USDA also indicates that about one-third of those payments were made to farms owned by socially disadvantaged or limited resource farmers or ranchers. CBO estimates that suspending the prohibition on payments to such producers would increase direct spending by a total of \$11 million for the 2008 crops and \$9 million for the 2009 crops, for a total of \$20 million over the 2009-2018 period.

Reduced Funding for Information Technology

Section 12021 of the 2008 Farm Act provided \$15 million for each of fiscal years 2008 through 2011 to purchase information technology equipment for the federal crop insurance program. H.R. 6849 would reduce the amount available to \$9 million for 2009 and \$8 million for each of fiscal years 2010 and 2011. Based on historical spending patterns for such activities, CBO estimates enacting this provision would reduce direct spending by \$20 million over the 2009-2018 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 6849 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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