



March 18, 2008

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

Dear Mr. Chairman:

The Congressional Budget Office and the Joint Committee on Taxation (JCT) have estimated the effects on direct spending and revenues of H.R. 2419, the Farm, Nutrition, and Bioenergy Act of 2007, as passed by the House on July 27, 2007, relative to CBO's March 2008 baseline projections. As requested by staff of the House Committee on Agriculture, this estimate assumes that certain modifications (described below) would be made to the legislation. CBO estimates that enacting the modified legislation would increase direct spending by \$6.7 billion over the 2008-2018 period, relative to the baseline projections and assuming that the legislation would remain in effect throughout the period. JCT estimates that revenues would increase under the proposal by \$8.2 billion over the same period. On balance, those changes would produce net savings (reductions in deficits or increases in surpluses) of about \$1.5 billion over the 11-year period, relative to CBO's baseline projections. The enclosed table provides more details on those estimates.

This estimate assumes H.R. 2419 would be modified to: have an effective date of October 1, 2008, for most changes to nutrition programs (title IV), authorize Value-Added Marketing Grants (section 6027) for five years instead of six, make federal purchases of bio-based products (section 9002) mandatory, require the target ratio of crop insurance premiums to indemnities to equal 1.0 (title X), and apply the specified change in the percentage for corporate estimated payments (section 13003) to the new, current-law percentage.

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If you wish further details on this estimate, we will be pleased to provide them.  
The CBO staff contact is Jim Langley.

Sincerely,

*for* 

Peter R. Orszag  
Director

Enclosure

cc: Honorable Bob Goodlatte  
Ranking Minority Member

**ESTIMATED CHANGES IN DIRECT SPENDING AND REVENUES FROM H.R. 2419 AS PASSED BY THE HOUSE ON JULY 27, 2007, WITH MODIFICATIONS SPECIFIED BY THE HOUSE COMMITTEE ON AGRICULTURE**

	By Fiscal Years, In Millions of Dollars												2008-2018
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2008-2013	
<b>CHANGES IN DIRECT SPENDING OUTLAYS RELATIVE TO CBO'S MARCH 2008 BASELINE</b>													
Title I, Commodity Programs	82	15	-37	-14	-1,307	-84	-25	-9	-6	-1	35	-1,345	-1,351
Title II, Conservation	-33	142	366	560	1,183	1,339	1,432	1,234	-181	-1,730	-669	3,557	3,643
Title IV, Nutrition Programs	7	634	757	896	1,025	1,124	1,277	1,363	1,545	1,673	1,845	4,443	12,146
Title X, Crop Insurance and Miscellaneous	20	-176	-333	-428	-3,769	-460	-476	-476	-472	-474	-476	-5,146	-7,520
Other Titles	<u>156</u>	<u>255</u>	<u>286</u>	<u>566</u>	<u>348</u>	<u>134</u>	<u>-228</u>	<u>-403</u>	<u>-626</u>	<u>-444</u>	<u>-232</u>	<u>1,745</u>	<u>-188</u>
Total Changes in Spending	232	870	1,039	1,580	-2,520	2,053	1,980	1,709	260	-976	503	3,254	6,730
<b>CHANGES IN REVENUES RELATIVE TO CBO'S MARCH 2008 BASELINE</b>													
Estimated Revenues	205	635	682	733	1,530	47	828	849	870	892	928	3,832	8,199

Memorandum

Estimated Direct Spending Under CBO's March 2008 Baseline

Title I, Commodities	7,372	7,345	7,226	7,221	7,377	7,516	7,685	7,803	7,982	8,237	8,346	44,057	84,110
Title II, Conservation	4,117	4,410	4,471	4,680	4,908	5,042	5,226	5,118	6,513	8,003	9,225	27,628	61,713
Title IV, Nutrition	38,392	40,804	41,521	42,168	42,957	43,532	44,118	44,925	46,212	47,551	48,926	249,374	481,106
Title X, Crop Insurance and Miscellaneous	5,797	8,185	7,640	7,627	7,814	7,873	7,930	7,949	7,907	7,907	7,964	44,936	84,593
Other Titles	<u>-379</u>	<u>-5</u>	<u>-21</u>	<u>18</u>	<u>45</u>	<u>49</u>	<u>10</u>	<u>-31</u>	<u>-74</u>	<u>-121</u>	<u>-169</u>	<u>-293</u>	<u>-678</u>
Total	55,299	60,739	60,837	61,714	63,101	64,012	64,969	65,764	68,540	71,577	74,292	365,702	710,844

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

Note: Modifications to H.R. 2419 as passed by the House include: (1) assuming an effective date of October 1, 2008, for changes to nutrition programs (title IV); (2) authorizing Value-Added Marketing Grants (section 6027) for five years instead of six; (3) making federal purchases of bio-based products (section 9002) mandatory; (4) requiring the target ratio of crop insurance premiums to indemnities to equal 1.0 (title X); and (5) applying the specified change in the percentage for corporate estimated payments (section 13003) to the new, current-law percentage.