CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 27, 1998

H.R. 4283
Africa: Seeds of Hope Act of 1998

As ordered reported by the House Committee on International Relations on July 22, 1998

SUMMARY

H.R. 4283 would provide direction to the Agency for International Development (AID), the Overseas Private Investment Corporation, and the U.S. Department of Agriculture (USDA) regarding the operation of programs encouraging agricultural and rural development in sub-Saharan Africa. The bill would emphasize assistance to women, small farmers, and small rural entrepreneurs. It would require AID and USDA to develop a plan that would coordinate research and extension activities of U.S. land-grant universities, international agricultural research centers, and national agricultural research and extension centers in sub-Saharan Africa. It also would provide guidance to AID on the administration of nonemergency food assistance programs. Because the bill would not substantially expand the Administration's authority to provide assistance, CBO estimates that spending targeted at Africa would continue under the bill at the current rate—approximately $1 billion per year in economic assistance, security assistance, and food aid. That spending would be subject to appropriation.

H.R. 4283 would affect direct spending through its impact on the Food Security Commodity Reserve (FSCR). As a result, pay-as-you-go procedures would apply to the bill. The FSCR consists of grain stocks that can be released to continue food-aid shipments (under a program known as P.L. 480) when U.S. supplies would otherwise be too tight to continue shipments or when recipient countries have unanticipated needs. Under H.R. 4283, beginning in fiscal year 2000, USDA could use funds that it receives as reimbursement for the value of grain released from the FSCR to purchase grain to restock the FSCR. That authority does not exist under current law. CBO estimates that enacting H.R. 4283 would increase spending by $76 million over the fiscal years 1999 through 2003 and by $344 million over the fiscal years 1999 through 2008.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4283 is shown in the following table. The costs of this legislation fall within budget function 350 (agriculture).

	By Fiscal Year, in Millions of Dollars				
	1999	2000	2001	2002	2003
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	0	17	18	20	21
Estimated Outlays	0	17	18	20	21

BASIS OF ESTIMATE

H.R. 4283 would change several aspects of the Food Security Commodity Reserve and would rename it the Bill Emerson Humanitarian Trust (the Trust). The FSCR currently consists of grain stocks (currently all wheat) owned by the Commodity Credit Corporation (CCC)—a corporation within USDA. The government can release these FSCR stocks to continue grain shipments under the P.L. 480 food-aid program when U.S. supplies would otherwise be too tight to continue shipments or when recipient countries have unanticipated needs. When grain stocks are released from the FSCR, CCC must be reimbursed with appropriated food-aid funds for the costs of the grain released. Under current law, FSCR grain stocks cannot be replaced unless other CCC grain stocks are available or purchases from the market are authorized in an appropriation act.

Under H.R. 4283, beginning in fiscal year 2000, USDA would be allowed to keep and to use funds from P.L. 480 reimbursements to purchase grain to replace supplies released from the Trust. These purchases would be limited to no more than $20 million per year for fiscal years 2000 through 2003. (This limit would not restrict FSCR storage and other operating costs.) P.L. 480 reimbursements that were not used during a year would remain available for purchases in future years. H.R. 4283 would also authorize CCC to hold money—not just grain—in the Trust. Beginning in fiscal year 2004, purchases would not be restricted and accumulated funds from previous years could be spent.

Not only would USDA incur new purchase costs but storage costs would be higher as more grain would be in the Trust. Per-bushel rates for P.L. 480 reimbursement would vary for a number of reasons but would likely be in the $3.50 to $3.75 range; per-bushel storage costs would be about $0.25 per year. CBO estimates that these changes would increase outlays from direct spending by $76 million for fiscal years 1999 through 2003 and $344 million for fiscal years 1999 through 2008.

Currently, the FSCR contains about 90 million bushels (about 2.5 million metric tons) of wheat compared to the maximum authorized level of 4 million metric tons of grain. Wheat has been released from the FSCR six times in the 18 years that the FSCR has been in existence. The average release per year has been about 8.5 million bushels. CBO estimates that, under current law, USDA would continue to release grain from the FSCR but at somewhat less than the historical average rate (while under H.R. 4283, we expect releases to continue at about the historical rate).

Increases in costs for grain purchases would be limited by the $20 million annual limit through fiscal year 2003. After 2003, cumulative P.L. 480 reimbursements that had not been used in earlier years would be available for purchases. Therefore, CBO estimates that purchase costs would rise substantially in fiscal year 2004 and somewhat less in later years. Because of expected purchases, the amount of grain in the Trust would not change much relative to current FSCR levels but would be substantially higher after 10 years than CBO expects under current law.

CBO's estimated costs incorporate various adjustments to account for USDA's ability to hold money as well as grain in the Trust. CBO assumes that USDA would hold cash for short periods, mainly to facilitate more efficient management of grain stocks. Holding grain in the Trust is more supportive of farm prices than holding cash.

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										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	0	0	17	18	20	21	90	42	44	45	47
Changes in receipts	Not applicable										

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains no intergovernmental or private sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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