# CONGRESSIONAL BUDGET OFFICE
# COST ESTIMATE

September 4, 1997

## Agricultural Research, Extension, and Education Reform Act of 1997

*As ordered reported by the Senate Committee on Agriculture, Nutrition and Forestry on July 30, 1997*

## SUMMARY

This legislation would reauthorize, reform, or eliminate certain agricultural research, extension, and education programs, and would authorize appropriations for several new research programs over fiscal years 1998 through 2002. Assuming appropriation of the authorized or estimated amounts, implementing the bill would require about $14 billion in discretionary spending authority over the 1998-2002 period.

The bill also would increase direct spending for the Fund for Rural America by $300 million over fiscal years 1998 through 2002, and would appropriate funds for a new Initiative for Future Agriculture and Food Systems. Direct spending authority for this initiative would total $780 million from 1998 through 2002. The increases in direct spending would be more than offset by reductions in administrative costs for the Food Stamp program, in expenditures for data processing by the Commodity Credit Corporation (CCC), and in rents paid on Conservation Reserve Program (CRP) contracts in exchange for permitting landowners to cut hay or graze livestock on their CRP land. Because the bill would affect direct spending, pay-as-you-go procedures would apply.

Section 227 of this bill would impose a private-sector mandate, although the effects would not exceed the threshold for such a mandate as defined in the Unfunded Mandates Reform Act of 1995 (UMRA). Section 501 contains an intergovernmental mandate that would impose significant costs on state governments.

## DESCRIPTION OF THE BILL'S MAJOR PROVISIONS

The bill consists of five titles. Title I would establish priorities, scope, and review procedures for agricultural research, extension, and education activities conducted by and for the Department of Agriculture.

Title II would establish several new research initiatives regarding, among other things, weather information systems, a food genome research strategy, precision agriculture, and eradication of fire ants and Formosan termites. Additionally, this title would provide appropriations totaling $300 million for the Fund for Rural America for fiscal years 1998, 2001, and 2002.

Title III would establish a new Initiative for Future Agriculture and Food Systems, and would appropriate $780 million over fiscal years 1998 through 2002 for research grants. The Secretary of Agriculture would award funding to research projects that address critical emerging issues related to future food production, environmental protection, farm income, or alternative uses of agricultural products.

Title IV would extend most of the expiring authorizations for appropriations for agricultural research, extension, and education programs through fiscal year 2002, and repeal certain agricultural research programs.

Title V would provide offsetting savings by:

- limiting the amount the Secretary could pay each state for administering the Food Stamp program;

- reducing a cap on CCC spending for automated data processing equipment, telecommunications equipment, and other information technology from $275 million to $193 million over fiscal years 1997 through 2002; and

- authorizing the Secretary to allow haying and grazing of the land enrolled in the CRP each year, under certain conditions, in exchange for a reduction in rental payments.

This title also would create a grant program to encourage schools and other institutions to initiate or expand their school breakfast or summer food programs; allow four meals a day to be served in the child and adult care food program and summer food program under some circumstances; and extend funding for a clearinghouse that provides information on food assistance for low-income individuals.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

For the purposes of this estimate, CBO assumes that all amounts authorized or estimated to be authorized will be appropriated by the start of each fiscal year. The estimated budgetary impact of the bill is shown in Table 1.

**Table 1. Estimated Impact on Federal Spending**

| | By Fiscal Year, in Millions of Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| **Spending Subject to Appropriation** | | | | | | |
| Spending Under Current Law [a] | | | | | | |
| Budget Authority | 1,698 | 0 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 1,656 | 641 | 187 | 43 | 14 | 0 |
| Proposed Changes | | | | | | |
| Estimated Authorization Level | | 0 | 2,854 | 2,789 | 2,789 | 2,796 |
| 2,796 | | | | | | |
| Estimated Outlays | 0 | 1,457 | 2,206 | 2,511 | 2,684 | 2,796 |
| Spending Under The Bill [a] | | | | | | |
| Estimated Authorization Level | 1,698 | 2,854 | 2,789 | 2,789 | 2,796 | 2,796 |
| Estimated Outlays | 1,656 | 2,098 | 2,393 | 2,554 | 2,698 | 2,796 |
| **Changes in Direct Spending** | | | | | | |
| Estimated Budget Authority | 0 | -16 | -72 | -60 | 68 | 78 |
| Estimated Outlays | 0 | -106 | -105 | -53 | 10 | 47 |

a. The 1997 budget authority is the amount appropriated for that year. It includes spending for the Agricultural Research Service, the Cooperative State Research Education and Extension Service, and associated buildings and facilities accounts.

The costs of this legislation fall within budget functions 300 (natural resources and environment), 350 (agriculture), 370 (commerce and housing credit), 450 (community and regional development), 550 (health), and 600 (income security).

## BASIS OF ESTIMATE

### Spending Subject to Appropriation

The bill would reauthorize appropriations for most expiring agricultural research, extension, and education activities and would authorize appropriations for several new activities over fiscal years 1998 through 2002. Assuming appropriation of the necessary amounts for all programs, enacting the bill would result in about $14 billion in additional discretionary spending authority and $11.7 billion in discretionary outlays over the 1998-2002 period.

**Programs with Specific Authorized Appropriations**. The bill would authorize the appropriation of specific amounts for each fiscal year from 1998 through 2002 for a number of programs and research areas. Table 2 shows the specified amounts.

Assuming appropriation of the authorized amounts for each of the above programs, enacting the bill would result in about $11.9 billion in additional appropriations over the 1998-2002 period.

The bill also would either authorize the appropriation, or would imply an authorization, of such sums as necessary to carry out certain programs. We estimate that implementing these programs would require funding of $2.1 billion over the 1998-2002 period. CBO's basis for estimating that sum is provided below.

**National Food Genome Strategy**. Section 1671 of the Food, Agriculture, Conservation, and Trade Act of 1990 directs the Secretary to conduct a research program through competitive grants to support basic and applied research and technology development in the area of plant genome structure and function. The 1990 act authorized the appropriation of such sums as necessary for fiscal years 1996 and 1997. This bill would amend the 1990 act to require the Secretary to carry out a National Food Genome Strategy to study and map agriculturally significant genes to achieve sustainable and secure agricultural production, and for other purposes. It would authorize the Secretary to enter into or make contracts, grants, or cooperative agreements for this purpose. Based on information from the Department of Agriculture (USDA), CBO estimates that carrying out the strategy would cost about $150 million in total for fiscal years 1998 through 2002.

**Table 2. Specified Annual Authorizations of Appropriations for 1998 Through 2002**

| | Authorized Annual Amount, in Millions of Dollars |
|---|---|
| National Agricultural Weather Information System | 15 |
| Assistive technology for farmers with disabilities | 6 |
| Biobased products [a] | 10 |
| Eradication of Formosan termites | 10 |
| Grants and fellowships for food and agriculture education | 60 |
| Grants for production and marketing of alcohol fuels and industrial hydrocarbons | 20 |
| Expanded food and nutrition education | 83 |
| Grants to upgrade agricultural research facilities at 1890 schools, including Tuskegee University | 15 |
| National research and training centennial centers | 2 |
| Education grants for Hispanic-serving institutions | 20 |
| Existing and certain new agricultural research programs | 850 |
| Agriculture experiment stations | 310 |
| Extension education | 460 |
| Aquaculture assistance program | 8 |
| National Rural Information Clearing House | 1 |
| Competitive, Special, and Facilities Research Grant Act | 500 |
| 1994 schools [b] | 5 |
| 1994 schools for institution building grants [b] | 2 |
| National Aquaculture Act of 1980 | 3 |
| Agricultural telecommunications program | 12 |

a. For 1999 through 2002 only.
b. For 2001 and 2002 only.

**Imported Fire Ant Control, Management, and Eradication**. The bill would establish a multistage program to control, manage, and eradicate imported fire ants. The bill would authorize the Secretary to award grants totaling $6 million annually to specified entities for the purpose of research and demonstration projects related to controlling fire ants. The bill would authorize the Secretary to award subsequent grants of up to $4 million per year for two years to each of the most promising projects funded by the initial grants. After an evaluation of these projects, the bill would authorize the Secretary to award a $5 million grant to the sponsor or sponsors of the best project to develop a national strategy for the control of fire ants. The bill would authorize such sums as necessary to carry out this program. CBO estimates that implementing this section would require appropriations of $24 million over the 1998-2002 period, with another $41 million required through 2006.

**Office of Energy Policy and New Uses**. The bill would amend the Department of Agriculture Reorganization Act of 1994 to require the Secretary to establish an Office of Energy Policy and New Uses in the Office of the Secretary. Based on information from USDA regarding expenditures for other similar offices, CBO estimates that this new office would require the appropriation of about $3 million over the period 1998-2002.

**Precision Agriculture**. The bill would authorize the Secretary to make competitive grants to eligible entities to carry out research, education, and information dissemination projects for the development and promotion of precision agriculture. The legislation would authorize such sums as necessary for each fiscal year from 1998 through 2002. Based on information from USDA and assuming appropriation of the necessary amounts, CBO estimates that implementing this provision would cost $5 million a year.

**Nutrient Composition Data**. The bill would require the Secretary to update, on a periodic basis, nutrient composition data, and to report to the Congress within 180 days as to the intended methodology, quality assurance criteria, and timing for making the updates. CBO estimates that additional appropriations of $2 million annually would be required for this project.

**Consolidated Administrative and Laboratory Facility**. The bill would authorize the Secretary, in consultation with the Administrator of General Services, to enter into contracts for the design, construction, and operation of a consolidated administrative and laboratory facility of the Animal and Plant Health Inspection Service (APHIS) to be located in Ames, Iowa. The bill would authorize the appropriation of such sums as necessary, to remain available until expended. Based on information from USDA officials, CBO estimates that this project would cost $80 million over four fiscal years.

**National Swine Research Center**. The bill would authorize the Secretary, subject to the availability of appropriated funds or through a reprogramming of funds provided for swine research, to accept as a gift and administer the National Swine Research Center located in Ames, Iowa. Based on information provided by USDA, CBO estimates operation of the research center would require an appropriation of $10 million annually beginning in 1998.

**Evaluation and Assessment of Agricultural Research, Extension, and Education Programs**. The legislation would require the Secretary to enter into a contract with an expert in research assessment to evaluate federally funded agricultural research, extension, and education programs and to determine whether they result in public goods that have national or multistate significance. The contractor would develop and propose practical guidelines consistent with the Government Performance and Results Act of 1993 for measuring performance of federally funded agricultural research, extension, and education activities. Based on information regarding similar contracts, CBO estimates that such an evaluation would require total expenditures of less than $500,000.

**Study of Federally Funded Agricultural Research, Extension, and Education**. The bill would require the Secretary to request that the National Academy of Sciences study the role and mission of federally funded agricultural research, extension, and education, and report the results to the Congress within a specified time frame. CBO estimates that completing this study would cost about $1 million, assuming appropriation of necessary funds.

**Other Programs**. The bill would continue several existing programs and authorize such sums as necessary for the 1998-2002 period. For the purposes of this estimate, CBO assumes that the necessary appropriations for research on animal health and rangeland, policy research centers, human nutrition intervention, health promotion research, the national genetic research program, the study of changes in global climate, activities under the Critical Agricultural Materials Act, the Research Facilities Act, and the Renewable Resources Extension Act, and the planning, construction, acquisition, and repair of buildings would be equivalent to the 1997 appropriation for these programs and activities. Estimated funding totals $1.8 billion for the 1998-2002 period.

**Direct Spending**

The bill would provide an additional $300 million in spending authority over the 1998-2002 period for the Fund for Rural America. It also would provide $780 million over the 1998-2002 period for a new Initiative for Future Agriculture and Food Systems. In addition, the bill would increase Child Nutrition spending by $142 million over the same period.

To offset these increases in direct spending, the bill would limit administrative costs of the Food Stamp program, resulting in savings of $1.1 billion over the 1998-2002 period. The bill also would limit CCC spending for information technology ($82 million in savings over the period), and authorize the Secretary, under certain conditions, to allow haying and grazing of the land enrolled in the CRP in exchange for a reduction in rental payments ($20 million in savings over the period).

**Fund for Rural America.** The Federal Agriculture Improvement and Reform Act of 1996 established the Fund for Rural America to provide funds for agricultural research and rural development. That act appropriated $100 million for each of fiscal years 1997, 1999, and 2000 (although $20 million was later rescinded in 1997). This bill would appropriate $100 million for each of fiscal years 1998, 2001, and 2002, for an increase in direct spending authority of $300 million through 2002. Assuming the Secretary allocates funds across research and rural development programs in proportions similar to the 1997 allocation, CBO estimates that spending for these purposes would increase by $200 million through 2002, as shown in Table 3.

**TABLE 3. Estimated Spending for the Fund for Rural America**

| | By Fiscal Year, in Millions of Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| Fund for Rural America Spending Under Current Law | | | | | | |
| Budget Authority | 80 | 0 | 100 | 100 | 0 | 0 |
| Estimated Outlays | 21 | 32 | 51 | 74 | 57 | 32 |
| Proposed Changes | | | | | | |
| Budget Authority | 0 | 100 | 0 | 0 | 100 | 100 |
| Estimated Outlays | 0 | 34 | 33 | 22 | 42 | 69 |
| Fund for Rural America Spending Under the Bill | | | | | | |
| Budget Authority | 80 | 100 | 100 | 100 | 100 | 100 |
| Estimated Outlays | 21 | 66 | 84 | 96 | 99 | 101 |

**Initiative for Future Agriculture and Food Systems.** Title III of the bill would create the Initiative for Future Agriculture and Food Systems to provide funds for agricultural research. The bill would appropriate to the fund $100 million for fiscal year 1998 and $170 million for each of fiscal years 1999 through 2002, for an increase in direct spending authority of $780 million through 2002. Assuming the Secretary awards these funds for research grants as authorized, CBO estimates that spending for this purpose would be $663 million through 2002 (see Table 4).

**Child Nutrition Programs.** The bill would restore several features of the Child Nutrition programs that were changed by last years' welfare bill, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). The changes would result in increased outlays of $9 million in 1998 and $142 million over the 1998-2002 period. Table 5 shows the federal budgetary effects of the bill on Child Nutrition programs.

**TABLE 4. Estimated Spending on the Initiative for Future Agriculture and Food Systems**

| | By Fiscal Year, in Millions of Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| Spending Under Current Law for the Initiative for Future Agriculture and Food Systems | | | | | | |
| Budget Authority | 0 | 0 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 0 | 0 | 0 | 0 | 0 | 0 |
| Proposed Changes | | | | | | |
| Budget Authority | 0 | 100 | 170 | 170 | 170 | 170 |
| Estimated Outlays | 0 | 51 | 116 | 156 | 170 | 170 |
| Spending Under the Bill for the Initiative for Future Agriculture and Food Systems | | | | | | |
| Budget Authority | 0 | 100 | 170 | 170 | 170 | 170 |
| Estimated Outlays | 0 | 51 | 116 | 156 | 170 | 170 |

**TABLE 5. Estimated Spending on Child Nutrition Programs**

| | Outlays, by Fiscal Year, in Millions of Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| Spending Under Current Law for Child Nutrition Programs | 8,221 | 8,474 | 8,895 | 9,353 | 9,829 | 10,314 |
| Proposed Changes | 0 | 9 | 31 | 36 | 33 | 33 |
| Spending Under the Bill for Child Nutrition Programs | 8,221 | 8,483 | 8,926 | 9,389 | 9,862 | 10,347 |

The bill would restore funding for grants to pay for nonrecurring expenses that schools and other institutions face in initiating or expanding their school breakfast or summer food programs. The bill would provide $5 million each year for such grants. (CBO estimates that outlays for these grants would be $3 million in fiscal year 1998 and $5 million in each succeeding year.) CBO estimates that more meals would be served in the breakfast and summer programs because of the start-up grants, resulting in an additional increase in outlays of $6 million in 1998, rising to $14 million in 2000, then declining to $11 million in 2002.

The bill also would return to the pre-PRWORA policy that allowed four meals a day (instead of three) to be served in child care centers under the child and adult care food program and the summer food program under some circumstances. Effective September 1, 1998, a child care center could serve four meals to children that are in child care for eight or more hours a day. Similarly, a summer program that is a camp or that serves meals primarily to migrant children would also be allowed to serve four meals a day. CBO estimates that the extra meals, predominantly snacks, would result in increased outlays of less than $500,000 in fiscal year 1998, $16 million in fiscal year 1999, and $17 million in later years.

Finally, the bill would increase funding for information clearinghouses under the National School Lunch Act, resulting in increased outlays of $1 million over the 1998-2002 period.

**Administrative Costs of the Food Stamp Program.** The bill would cap the amounts that states could obtain from the federal government for administering the Food Stamp program. The aggregated level of all states' caps would be below the amount CBO estimates states would otherwise seek for administering the program, lowering federal Food Stamp outlays by between $310 million and $420 million a year over the 1998-2002 period. As discussed below, CBO estimates that over $100 million of this amount each year would be offset by increased Medicaid outlays, resulting in net savings of $200 million in 1998, rising to $280 million in 1999, and then declining to $190 million in 2002. Table 6 shows the estimated federal budgetary effects of this provision.

*Background.* Under current law, the states administer the Food Stamp program and the federal government reimburses them for half of all administrative costs. The largest component of administrative costs is the cost of certifying eligible households. Other components include costs of issuing food stamps, computer operations, and fraud control. States also administer many other public benefit programs, such as Medicaid, cash assistance for families with children (previously Aid to Families with Dependent Children (AFDC), now Temporary Assistance for Needy Families (TANF)), Child Support Enforcement, Foster Care, and in some states, general assistance. The federal government matches the states' administrative expenses for all of these programs except state-funded general assistance.

**Table 6. Estimated Federal Budgetary Effects of Changes in Administrative Costs of the Food Stamp Program**

| | Outlays, by Fiscal Year, in Millions of Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| Estimated Spending Under Current Law | | | | | | |
| Food Stamp Administration[a] | 2,045 | 2,408 | 2,556 | 2,640 | 2,706 | 2,719 |
| Medicaid Administration | 4,419 | 5,052 | 5,548 | 6,113 | 6,625 | 7,192 |
| Proposed Changes | | | | | | |
| Food Stamp Administration | 0 | -310 | -420 | -370 | -320 | -310 |
| Medicaid Administration | 0 | 110 | 140 | 130 | 120 | 120 |
| Estimated Spending Under the Bill | | | | | | |
| Food Stamp Administration | 2,045 | 2,098 | 2,136 | 2,270 | 2,386 | 2,409 |
| Medicaid Administration | 4,419 | 5,162 | 5,688 | 6,243 | 6,745 | 7,312 |

a. Includes the effects of Public Law 105-33, the Balanced Budget Act of 1997, on the Food Stamp Employment and Training program.

Because of the overlap in eligible populations, states often undertake administrative activities that benefit more than one program. For example, when a household applies for TANF, Medicaid, and food stamps, collecting information on the household's income is necessary for all programs and is usually done during a combined eligibility interview. The process of allocating shared administrative costs among various state and federal programs is known as cost allocation. The general rules for allocating costs are prescribed by regulation in OMB Circular A-87. These rules require that costs that are incurred for more than one program be allocated based on the extent to which the various programs benefit from the activity. Under this logic, a cost that is equally necessary for more than one program should be shared equally by the programs.

The history of the public welfare programs led to an exception to this general cost allocation rule. All costs that were identified as shared costs were allocated to AFDC because AFDC existed first. When Congress later created Medicaid and Food Stamps, it assumed that large portions of the administrative work for households that received AFDC was already done for AFDC and that these newer programs could piggy-back on that work. For cases that received AFDC, food stamps, and Medicaid, the Food Stamp and Medicaid programs paid only the cost of the work that was over and above what was required for AFDC. Because the federal match rate was generally 50 percent in all three programs, the amount that the federal government paid was the same, regardless of whether it was considered a joint cost (and thus claimed under the AFDC program) or a cost allocated to one of the individual programs.

*Effect of PRWORA.* Last summer's welfare law, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), replaced the AFDC program with the TANF block grant program. Under AFDC, the federal government and the states had shared the entitlement costs of cash benefits, administrative costs, emergency assistance, and the Job Opportunities and Basic Skills Training (JOBS) program. PRWORA repealed these programs and replaced them with a federal block grant that states can use as they choose, within wide boundaries, for serving needy families. The amount for the block grant was based on recent historical federal spending for the repealed components of AFDC. Therefore, although the amount states will spend on administrative expenses is not dictated by federal law (except that it cannot exceed 15 percent of the block grant amount), the amount that was implicitly included in the TANF block grant based on pre-1996 spending was predicated on the cost allocation method discussed above, where AFDC paid for the administrative costs that benefitted all the various programs.

The repeal of AFDC and institution of TANF affected the allocation of administrative costs in two ways. First, states now have the incentive to maximize the administrative costs attributed to Medicaid or Food Stamps, where they can still receive a 50 percent match, and minimize TANF expenses so that those funds can be used for other purposes. Second, with AFDC abolished, the legislative history that gave AFDC special treatment for cost allocation purposes may be obsolete, and the Congress did not specify how shared costs should be treated under TANF.

*CBO's March 1997 baseline.* In estimating spending under current law for CBO's March 1997 baseline, CBO assumed that states will begin to draw down more Food Stamp and Medicaid administrative funds than they have in the past for the two reasons outlined above: they will maximize the amount of administrative costs that they attribute to Medicaid or Food Stamps, and they will seek to revise their cost allocation plans so that all programs that benefit from joint activities share in the costs, instead of TANF paying all of the shared costs. The March 1997 estimates of Food Stamp and Medicaid spending are each about $250 million higher in fiscal year 1997 and about $500 million higher in later years than they would have been without these assumptions.

In fiscal year 1996 states received over $1.8 billion in federal matching funds for administering the Food Stamp program. CBO currently estimates that this amount will increase to $2.0 billion in fiscal year 1997, $2.4 billion in fiscal year 1998, and $2.7 billion in fiscal year 2002.

*Effect of this bill.* The bill would cap each state's allowable Food Stamp administrative costs at a level that, when aggregated, is lower than CBO's March 1997 estimates of current law spending. States would still draw down federal money at the 50-percent-match rate up to the cap, and then would receive no additional match for costs above the cap. In 1998 the cap level would be 110 percent of the amount the state received in fiscal year 1996. In later years the cap would be 115 percent of the fiscal year 1996 amount, adjusted for inflation and for changes in the number of households participating in the Food Stamp program. CBO estimates that the sum of cap levels across all the states would be between $350 million and $440 million lower than what states would otherwise have received if the federal administrative funds remained open-ended. The cap amounts would be larger, however, by between $70 million and $200 million a year, than the amounts states likely would have received if AFDC had not been replaced with TANF.

CBO further assumes that under the bill states would change some practices and reallocate their administrative costs to draw down more money under Medicaid, which would be the largest remaining program that serves low-income families and retains an open-ended match for administrative costs. CBO assumes that states would receive a federal match under Medicaid for one-third of the amount that would no longer be reimbursable under Food Stamps, resulting in increased Medicaid outlays of between $110 million and $140 million a year.

Three components of federal payments to states would be exempt from the cap--employment and training, costs of initiating new computer systems, and enhanced funding for states with low error rates. In two of these areas, employment and training and computer systems, CBO expects that spending would grow faster under the bill than under current law because states would have an incentive to modify their behavior and procedures to draw down the open-ended funds. CBO estimates that federal spending for these two components of administrative costs would increase by $10 million in 1998 and $50 million in 2002. The third area, enhanced funding, would not necessarily increase under the bill because only a few states receive these funds each year based on their low error rates. This bill would not change those rules.

CBO does not expect that the limitation on federal administrative funds would cause increases in Food Stamp benefits because of administrative errors. CBO assumes that states would use their own funds or TANF funds to make up the loss in federal funds, so that the total resources devoted to the administration of welfare programs would not be significantly different under the bill.

**Information Technology Funding**. The bill would amend the CCC Charter Act to reduce the total amount that the CCC can spend for information technology from $275 million to $193 million over the 1997-2002 period. CBO estimates that this provision would reduce

CCC outlays by $82 million from 1998 through 2002. We estimate the lower limit would mean that funds available for information technology would be exhausted by 2000, leaving no funds available for 2001 and 2002.

**Table 7. Estimated Spending by the Commodity Credit Corporation on Information Technology**

| | Outlays, by Fiscal Year, in Millions of Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| CCC Information Technology Spending Under Current Law | 55 | 66 | 39 | 55 | 30 | 30 |
| Proposed Changes | 0 | 0 | 0 | -22 | -30 | -30 |
| CCC Information Technology Spending Under the Bill | 55 | 66 | 39 | 33 | 0 | 0 |

**Haying and Grazing on Conservation Reserve Land**. The CRP is a long-term land retirement program of the CCC, whereby USDA pays landowners an annual rent in return for planting beneficial cover crops and retiring the land from farming. These cover crops may have a value as livestock feed if they were to be cut for hay, or if livestock were to be allowed to graze in the covered fields. Indeed, current law provides that under emergency conditions the Secretary may allow haying and grazing of the CRP. This bill would amend the Food Security Act of 1985 to permit holders of CRP contracts to hay and graze up to a third of their land enrolled in the CRP. Annual rental payments on such land would be reduced commensurately with the value of the hay or forage removed. The legislation would eliminate current authority for haying and grazing of CRP land under certain emergency situations. CBO estimates the CRP provisions would reduce federal outlays by $5 million per year, beginning in 1999.

The ability to hay and graze up to a third of CRP land each year would encourage some producers to establish a rotational haying and grazing management plan. This is not currently possible because the CRP can be hayed or grazed only when the Secretary declares a county an emergency area. However, the bill also would give the Secretary authority to ensure that the haying and grazing remains consistent with the purposes of the CRP program, for example, by limiting the time of year haying or grazing could take place so as not to interfere with wildlife nesting and by imposing other restrictions. Such restrictions have accompanied emergency haying and grazing declarations in the past. Also, it is not clear what method USDA would use to determine the value of forage removed from CRP land. Based on available historical information and information from USDA, CBO estimates that around 1.3 million acres of CRP land would be hayed and grazed each year under this provision, with a reduction in rental payments on those acres of about 25 percent.

**Table 8. Estimated Effects of the Bill on Spending for the Conservation Reserve Program**

| | Outlays, by Fiscal Year, in Millions of Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| Spending for the Conservation Reserve Program Under Current Law | 1,675 | 1,783 | 1,751 | 1,794 | 1,766 | 1,752 |
| Proposed Changes | 0 | 0 | -5 | -5 | -5 | -5 |
| Spending for the Conservation Reserve Program Under the Bill | 1,675 | 1,783 | 1,746 | 1,789 | 1,761 | 1,747 |

## PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act of 1985 specifies pay-as-you-go procedures for legislation affecting direct spending or receipts. The projected changes in direct spending are shown in Table 9 for fiscal years 1998-2007. For purposes of enforcing pay-as-you-go procedures, however, only the effects in the budget year and the succeeding four years are counted.

CBO estimates that enacting H.R. 1596 would decrease direct spending by about $106 million in fiscal year 1998 and by $532 million over the 1998-2007 period. This net savings occurs because the projected decline in spending from changes in nutrition programs, on CCC information technology, and on the CRP offsets the estimated increase in spending from appropriations for the Fund for Rural America and the Initiative for Future Agriculture and Food Systems.

**Table 9. Summary of Pay-As-You-Go Effects**

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Changes in outlays | | | | | | | | | | |
| Fund for Rural America | 34 | 33 | 22 | 42 | 69 | 56 | 30 | 10 | 3 | 1 |
| Initiative for Future Agriculture and Food Systems | 51 | 116 | 156 | 170 | 170 | 83 | 34 | 0 | 0 | 0 |
| Nutrition Programs and Medicaid | -191 | -249 | -204 | -167 | -157 | -143 | -125 | -106 | -96 | -72 |
| Commodity Credit Corporation | 0 | -5 | -27 | -35 | -35 | 0 | 0 | 0 | 0 | 0 |
| Total | -106 | -105 | -53 | 10 | 47 | -4 | -61 | -96 | -93 | -71 |
| Changes in receipts | Not applicable | | | | | | | | | |

## ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

CBO has determined that the section affecting reimbursements to states for administrative costs of the Food Stamp program imposes intergovernmental mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA) and would impose additional costs on state governments. CBO's analysis of this mandate is contained in a separate statement.

## ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill would impose a private-sector mandate by specifying the use of assessments collected by the National Honey Board from producers and importers of honey. Section 227 would require that at least 8 percent of the assessments collected be used for research to "advance the cost-effectiveness, competitiveness, efficiency, pest and disease control, and other management aspects of beekeeping and honey production."

The Secretary of Agriculture formed the National Honey Board to administer the Honey Research, Promotion, and Consumer Information Order. Honey producers and importers approved that order by referendum in 1986. The Honey Board conducts research, advertising, and promotions to promote the use of U.S. honey. An assessment of one-cent per pound on domestic production and imports of honey is the Board's primary source of funds. Assessments total about $3.1 million per year.

The bill would require that nearly $250,000 of the assessments be reserved annually for the specified research, which the board does not now fund. Thus, the costs would not exceed the statutory threshold for private-sector mandates ($100 million, adjusted annually for inflation) in any year.

**ESTIMATE PREPARED BY:**

Federal Costs

| | |
|---|---|
| Nutrition Programs: | Dorothy Rosenbaum |
| Rural Development: | Lisa Daley |
| Agriculture: | Dave Hull and Jim Langley |

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|---|---|
| Impact on State, Local, and Tribal Governments: | Marge Miller and Marc Nicole |
| Impact on the Private Sector: | Roger E. Hitchner |

**ESTIMATE APPROVED BY:**

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