



Legislative Bulletin.....July 26, 2007

Contents:

H.R. 2419—Farm, Nutrition, and Bioenergy Act of 2007

Summary of the Bills Under Consideration Today:

Total Number of New Government Programs: Numerous

Total Cost of Discretionary Authorizations: As of July 23, 2007, CBO stated: “The bill would authorize discretionary spending over the 2008-2012 period for existing and new USDA programs involving research and education, nutrition, trade promotion, rural development, credit assistance, forestry, and conservation initiatives. However, CBO has not completed an estimate of the full discretionary costs of implementing H.R. 2419.”

Effect on Revenue: With the Manager’s Amendment, the bill increases revenue by \$4 billion over five years and \$7.5 billion over ten years.

Total Change in Mandatory Spending: The bill provides a total of \$286 billion over five years and \$614 billion over ten years. This is \$6 billion more than the baseline over five years and \$17.5 billion over the baseline over ten years.

Total New State & Local Government Mandates: According to CBO, H.R. does contain state and local government mandates, but they do not exceed the \$66 million threshold.

Total New Private Sector Mandates: According to CBO the bill does contain private sector mandates, but they do not exceed the \$131 million threshold.

Number of Bills Without Committee Reports: 0

H.R. 2419—Farm, Nutrition, and Bioenergy Act of 2007 (Peterson-MN)

Order of Business: H.R. 2419 is scheduled to be considered under a structured rule (H.Res. 574) on July 26, 2007. Amendments made in order under the rule will be summarized in a subsequent Legislative Bulletin. However, H.Res. 574, “self-executes” a number of policy changes in the bill, including roughly \$4 billion in nutrition spending and a tax increase.

Summary: Highlights of the bill are as follows:

Title I—Commodity Programs

➤ Extends definition of “covered payments” to include peanuts.

➤ Sets direct payment rates at:

- (1) Wheat, \$0.52 per bushel
- (2) Corn, \$0.28, per bushel
- (3) Grain sorghum, \$0.35
- (4) Barley, \$0.24 per household
- (5) Oats, \$0.024 per household
- (6) Upland cotton, \$0.0667 per pound
- (7) Rice, \$2.35 per hundredweight
- (8) Soybeans, \$0.44 per bushel.
- (9) Other oilseeds \$0.0080 per pound.
- (10) Peanuts, \$36.00 per ton.

➤ Sets Counter-cyclical payments at:

- (1) Wheat, \$4.15 per bushel
- (2) Corn, \$2.63
- (3) Grain sorghum, \$2.57 per bushel
- (4) Barley, \$2.73 per bushel
- (5) Oats, \$1.50 per bushel
- (6) Upland cotton, \$0.70 per pound
- (7) Rice, \$10.50 per hundredweight
- (8) Soybeans, \$6.10 per bushel
- (9) Other oilseeds, \$0.1150 per pound
- (10) Peanuts, \$495.00 per ton

➤ Sets National Target Revenue per Acre at:

- (1) Wheat, \$149.92
- (2) Corn, \$344.12
- (3) Grain sorghum, \$131.28
- (4) Barley, \$153.30
- (5) Oats, \$92.10

- (6) Upland cotton, \$496.93
- (7) Rice, \$548.06
- (8) Soybeans, \$231.87
- (9) Other oilseeds, \$129.18
- (10) Peanuts, \$683.83

➤ Sets National Payment Yields at:

- (1) Wheat, 36.1 bushels per acre
- (2) Corn, 114.4 bushels per acre
- (3) Grain sorghum, 58.2 bushels per acre
- (4) Barley, 48.6 bushels per acre
- (5) Oats, 49.8 bushels per acre
- (6) Upland cotton, 634 pounds per acre
- (7) Rice, 51.28 hundredweight per acre
- (8) Soybeans, 34.1 bushels per acre
- (9) Other oilseeds, 1167.6 pounds per acre
- (10) Peanuts, 1.496 tons per acre

➤ Restricts the planting of vegetables and fruits on base acres (as in the 2002 farm bill), but establishes a 10,000 acre pilot project in Indiana to allow the unlimited planting of tomatoes.

➤ Sets loan rates for nonrecourse meeting assistance loans at:

- (1) Wheat, \$2.94 per bushel
- (2) Corn, \$1.95 per bushel
- (3) Grain sorghum, \$1.95 per bushel
- (4) Malt barley, \$2.50 per bushel
- (5) Feed barley, \$1.90 per bushel
- (6) Oats, \$1.46 per bushel
- (7) Upland cotton, \$0.52 per pound
- (8) Extra long staple cotton, \$0.7977 per pound
- (9) Long grain rice, \$6.50 per hundredweight
- (10) Medium grain rice and short grain rice, \$6.50 per hundredweight
- (11) Soybeans, \$5.00 per bushel
- (12) Oilseeds, \$0.1070 per pound
- (13) Dry peas, \$5.400 per hundredweight
- (14) Lentils, \$11.28 per hundredweight
- (15) Small chickpeas, \$8.54 per hundredweight
- (16) Peanuts, \$355.00 per ton
- (17) Graded wool, \$1.10 per pound
- (18) Nongraded wool, \$0.40 per pound
- (19) Honey, \$0.60 per pound
- (20) Mohair, \$4.20 per pound

- Reauthorizes loan deficiency payments under the same conditions as the 2002 farm bill.
- Allows the President to impose an import quota on upland cotton if for a 4 week consecutive period the price of American cotton exceeds the price of cotton in Far East markets.
- Reauthorizes through July 1, 2013 the competitive provisions for extra long staple cotton, a provision from the 2002 farm bill.
- Reauthorizes from 2008 to 2012 the recourse loans for high moisture feed grains and seed cotton, a provision from the 2002 farm bill.
- Authorizes commodity quality incentive payments for healthy oilseeds from 2009 to 2013.
- Requires the Secretary to make loans at 18.5 cents per pound for sugar and at 23.5 cents per pound for refined beet sugar. Strikes the authority of the Administration to lower loan rates as part of negotiated reductions with other major sugar producing countries.
- Requires the Secretary of Agriculture to work with the Secretary of State to restore U.S. membership in the International Sugar Organization.
- Extends sugar allotments through the 2012 crop year.
- Requires the Secretary to support the price of cheddar cheese (\$1.13 per pound in blocks, \$1.10 per pound in barrels), butter (\$1.05 per pound), and nonfat dry milk (\$0.80 per pound) through the purchase of such products made from milk in the United States.

The bill allows the Secretary to reduce these prices if inventory increases beyond a certain amount specified in the bill for each product.

- Requires the Secretary of Agriculture to establish a program allowing milk producers and cooperative associations of producers to enter into forward price contracts with milk handlers.
- Authorizes the Secretary to issue rules to ensure that U.S. maximum volume of dairy product exports allowable within the U.S. under the Uruguay Treaty.
- Reauthorizes the dairy indemnity program from 2007 to 2012.
- Extends Milk Income Loss Contract (MILC) program through 2012 (as amended by the Iraq supplemental).
- Extends the Dairy Promotion and Research program to Alaska, Hawaii, Puerto Rico, and DC.

- Requires the Secretary of Agriculture to submit a report to Congress “regarding Department of Agriculture reporting procedures for nonfat dry milk and the impact of these procedures on Federal milk marketing order minimum prices...”
- Requires the Secretary of Agriculture to establish a “Milk Marketing Order Review Commission.”
- Allows individuals or entities to receive up to \$60,000 from the direct payment program and \$65,000 from counter-cyclical payments. Repeals the three-entity rule that allows individuals and entities to evade payment limits.
- Makes an individual or entity with an income greater than \$500,000 ineligible for farm payment programs unless at least two-thirds of the individual/entity’s income comes from agricultural activities. In addition, the bill makes individuals with an Adjusted Gross Income above \$1 million ineligible for farm program payment regardless of how much of their income comes from agricultural activities.

Title II—Conservation

- Reauthorizes the Conservation Reserve Program, the Wetlands Reserve Program, the Conservation Security Program, the Grassland Reserve Program, the Environmental Quality Incentives Program, the Farmland Protection Program, and the Wildlife Habitat Incentive Program.
- Reauthorizes \$250 million over five years for Conservation Innovation Grants.
- Reauthorizes \$150 million for air quality improvement and performance incentives for states.
- Reauthorizes \$60 million each year from 2008 to 2012 for a Regional Water Enhancement Program of which no more than 3 percent may be used for administrative expenses.
- Increases the authorization for the Grassroots Source Water Protection Program from \$5 million a year to \$20 million a year from 2008 to 2012.
- Reauthorizes the Great Lakes Basin Program for Soil Erosion and Sediment Control through 2012.
- Reauthorizes the Farm Viability Program through 2012.
- Reauthorizes the Wildlife Habitat Incentive Program through 2012. The limitation for cost share payments is increased from 15 percent to 25 percent.
- Extends eligibility to Virginia and Hawaii for the Agricultural Management Assistance Program.

- Provides \$50 million per year from 2009 to 2012 for the Small Watershed Rehabilitation Program.
- Reauthorizes \$150 million over five years for the Chesapeake Bay Program for Nutrient Reduction and Sediment Control, with no individual project to exceed \$5 million.
- Reauthorizes at \$20 million per year, from 2008 to 2012, the Voluntary Public Access and Habitat Incentive Program.
- Reauthorizes the Farm and Ranchland Protection Program at \$995 million over the 2008 to 2012 period.
- Reauthorizes the Environmental Quality Incentives Program at \$8.6 billion over the 2008 to 2012 period.
- Reauthorizes the Wildlife Habitat Incentives Program at \$85 million a year from 2008 to 2012.
- Requires the Secretary of Agriculture to submit an annual report on the participation of specialty crop producers in conservation programs.
- Authorizes \$50 million until expended for a program on market-based approaches to conservation.
- Limits Conservation program payments to \$60,000 for an individual program and \$125,000 for all conservation programs, except the wetland reserve program, the farm and ranchland protection program, and the grassland reserve program.
- Creates a new federal program to distribute educational materials emphasizing the importance of productive farmland. Spending on this program is set at less than one-half of one percent of the amount authorized for farm and ranchland protection and at a level of more than \$400,000.

Title III—Trade

- Requires the Commodity Credit Corporation to make available \$5.5 billion for Export Credit Guarantee Programs from 2008 to 2012.
- Authorizes the Market Access Program at \$225 million per year from 2008 to 2012.
- Authorizes the Bill Emerson Humanitarian Trust through 2012.
- Authorizes \$38 million over five years for Technical Assistance for Specialty Crops.
- Sets a minimum level--\$450 million—for nonemergency food assistance.

Title IV—Nutrition Programs

- Renames the Food Stamp program the “Secure Supplemental Nutrition Assistance” program.
- Places a mandate on states requiring the use of state employees for vendor services, disallowing the use of private vendors (see conservative concerns below).
- Requires the Secretary of Agriculture to create an “Initiative to Address Obesity Among Low-Income Americans.”
- Reauthorizes Community Food Project Competitiveness Grants at \$30 million a year from 2008 to 2012.
- Authorizes \$100 million a year (up from \$60 million each year), from 2008 through 2012, for funds to states for commodity distribution.
- Requires the Secretary to encourage institutions receiving funds under the Child Nutrition Act to buy locally.
- Provides \$15 million annually for the Senior Farmers’ Market Nutrition program and authorizes \$230 million over five years subject to appropriation.
- Establishes a new program for Bill Emerson National Hunger Fellows and Mickey Leland International Hunger Fellows to “encourage future leaders of the United States to pursue careers in humanitarian and public service.” \$3 million a year is authorized for this purpose from 2008 to 2012.

Title V—Credit

- Increases the farm ownership loan limit from \$200,000 to \$300,000.
- Increases the operating loan limit from \$200,000 to \$300,000.
- Increases the population limit for receiving single-family housing loans from a city or town that has a population of 2,500 to one that has 6,000. This will expand the Farm Credit System’s (FCS) ability to make loans to other areas that are not as clearly rural in nature.

Title VI—Rural Development

- Requires the Secretary of Agriculture to submit a report to Congress within 60 days on the varying definitions of “rural” used by the Department of Agriculture.

- Authorizes \$30 million each year from 2008 to 2012 for a water, waste disposal, and wastewater facility grants.
- Authorizes \$15 million each year for Rural Business Opportunity Grants.
- Increases the authorization from \$15 million a year to \$25 million a year for the Rural Water and Wastewater Circuit Rider Program.
- Authorizes \$10 million a year from 2008 to 2012 for Tribal College and University Essential Community Facilities.
- Authorizes \$35 million a year from 2008 to 2012 for Emergency and Imminent Community Water Assistance Grant programs.
- Authorizes \$30 million a year from 2008 to 2012 for Water Systems for Native Villages in Alaska.
- Authorizes \$10 million a year from 2008 to 2012 for grants to individually-owned household water well systems in rural areas.
- Reauthorizes the Rural Cooperative Development Grant program through 2012 at \$50 million a year.
- Authorizes \$5 million a year for the Technology Transfer for Rural Areas program.
- Authorizes \$30 million a year from 2008 to 2012 for grants to improve technical infrastructure and improve quality of rural health care facilities.
- Authorizes \$20 million a year from 2008 to 2012 for the Rural Entrepreneur and Microenterprise Assistance Program.
- Authorizes \$10 million a year from 2008 to 2012 for the National Sheep Industry Improvement Center and eliminates requirement that its revolving fund be privatized.
- Authorizes such sums as necessary for the Historic Barn Preservation program.
- Authorizes \$30 million a year from 2008 to 2012 for the Delta Regional Authority.
- Authorizes \$25 million a year from 2008 to 2012 for the Rural Strategic Investment Program.
- Authorizes \$25 million a year from 2008 to 2012 for the Community Connect Grant Program.
- Authorizes \$6 million a year from 2008 to 2012 for the Agriculture Innovation Center Demonstration program.

- Authorizes \$30 million a year for the Rural Firefighters and Emergency Medical Service Assistance Program.
- Authorizes the Secretary to make grants to rural public television stations.
- Requires the Secretary to submit a report to the Congress within 180 days of enactment on a comprehensive rural broadband strategy.
- Requires the Secretary to conduct a study on railroad issues as they concern agricultural products.

Title VII—Research

- Establishes 6 agricultural research program offices within the Office of the Under Secretary of Agriculture for Research, Education, and Economics.
- Creates a new program, and authorizes such sums as may be necessary, for research laboratories for animal diseases.
- Authorizes \$83 million a year from 2008 to 2012 for the Nutrition Education program.
- Authorizes \$20 million a year from 2008 to 2012 for Hispanic-serving Institutions.
- Authorizes \$5 million a year from 2008 to 2012 for the national agricultural weather information system.
- Authorizes \$100 million a year from 2008 to 2012 for the specialty crop research initiative and provides \$215 million a year in mandatory spending over the same period.
- Authorizes \$500 million a year for the competitive, special and facilities research grants act.
- Provides \$25 million a year in mandatory spending for fresh cut produce safety grants.

Title VIII—Forestry

- Provides \$17 million a year in mandatory spending for the Healthy Forests program from 2008 to 2012.
- Authorizes such sums as necessary for the Hispanic-serving institutions agricultural land national resources leadership program.

Title IX—Energy

- Provides \$2 million annually in mandatory spending for bio-based products.

- Authorizes the Biomass Research and Development Act through 2012 and authorizes additional appropriations of \$200 million a year through 2015.

Title X—Horticulture and Organic Agriculture

- Increases the Tree Assistance Program limitation on assistance from \$75,000 to \$150,000.
- Provides \$365 million over five years in mandatory spending for the specialty crop block grants.
- Provides \$991 million over five years for the purchase of fruits, vegetables, and nuts to support domestic nutrition assistance programs.
- Provides \$200 million over five years in mandatory spending for the pest and disease management program.
- Authorizes \$16 million a year for multi-species fruit fly research and sterile fly production.
- Provides \$22 million until expended for the national organic certification cost-share program.
- Provides \$3 million in mandatory funds, available until expended, for organic data collection and publication.
- Authorizes \$50 million over five years for organic conversion, technical, and educational assistance.
- Provides \$5 million in mandatory spending for the FY 2008 to FY 2010 period, and \$10 million in FY 2011 and FY 2012, for the Farmers Market Promotion program.
- Authorizes such sums to be appropriated and provides \$20 million in mandatory spending through 2012 for the National Clean Plant Network.

Title XI—Miscellaneous Provisions

- Prohibits the closure of any Farm Service Agency office within one year of enactment.

Fee Increases/Tax Increases

- Direct the Secretary of the Interior to implement a fee on each non-renegotiated current federal oil and gas lease in the Gulf of Mexico from 1998 and 1999 that did not include royalty price thresholds (because of an oversight by the Clinton Administration's Department of the Interior). These thresholds, had they been applied as in most other

leases, would have required royalty payments to the Treasury when oil and gas prices rose above certain amounts (\$28 per barrel of oil and \$3.50 per million British thermal units of natural gas).

- The fee would be \$9 per barrel of oil or \$1.25 per million British thermal units (BTUs) of natural gas (in 2005 dollars), for producing leases when the price of oil exceeds \$34.73 per oil or the price of natural gas exceeds \$4.34 per million BTUs (effective on production beginning October 1, 2006). (This provision is similar to Republican-sponsored language that was included in the House-passed OCS drilling bill last year, H.R. 4761, except the price thresholds were higher in the Republican language.)
- CBO estimates that this section would yield **\$4.35 billion in offsetting receipts** over ten years.
- The self-executed language would also repeal the following tax incentives provided in the 2005 Energy Policy Act (Public Law 109-58):
 - royalty relief for natural gas production from deep wells in shallow Gulf of Mexico waters (section 344 of Public Law 109-58);
 - royalty relief for deep water production in the Gulf of Mexico section 345 of Public Law 109-58);
 - drilling permit fee waivers (section 365(i) of Public Law 109-58); and
 - exploration incentives in Alaska's Naval Petroleum Reserve (section 347(k) and section 347(i) of Public Law 109-58).
- The language would also repeal the exploration incentive for planning areas off Alaska's shores (43 U.S.C. 1337(a)(3)(B)).
- CBO estimates that these repeal provisions would yield **\$210 million in offsetting receipts** over ten years.
- The self-executed language would also increase the corporate estimated tax payments due in the summer of FY2012 for corporations with assets of at least \$1 billion. This provision does not yield a net tax increase; it merely requires a higher quarterly payment of corporate estimated taxes in the summer of 2012, and a correspondingly lowered estimated payment thereafter. It is a timing gimmick used to avoid violating PAYGO rules. Under current law, the estimated payments due in the summer of FY2012 have to be 114.50% of what would otherwise be paid (100% = one quarter of the year's estimated tax payment due). This provision would increase that amount from 114.50% to 115.75%, requiring businesses to pay even more of their taxes early.
- H.R. 2419, with passage of the Rule, will also incorporate a \$7.5 billion *tax increase* on foreign companies doing business in the U.S. According to Ways and Means Republicans these companies employ 5.1 million Americans at average compensation of \$63,428.

Committee Action: H.R. 2419 was introduced on May 22, 2007. It was ordered to be reported out of the House Agriculture Committee on July 19, 2007. However, the Rules Committee substantially changed many components of the bill as approved by the Agriculture Committee.

Possible Conservative Concerns:

These are some of the concerns conservatives may have about this legislation:

Budget Gimmicks:

According to House Budget Committee Republicans, H.R. 2419 contains \$4.7 billion in illusory savings in the form of shifting payments to and from the Federal government in order to make the numbers fit within the budget window, but without actually affecting the Federal government's finances since the outlays will still occur in later years.

Tax Increases:

H.R. 2419, with passage of the Rule, will incorporate a \$7.5 billion tax increase on foreign companies doing business in the U.S. According to Ways and Means Republicans, these companies employ 5.1 million Americans at average compensation of \$63,428.

Some conservatives may have concerns with a *net* tax increase of \$7.5 billion (not offset with a corresponding tax increase) at a time when revenues have increased by 14.5 percent in 2005, by 11.6 percent in 2006, and are on track to increase by 7 percent this year. For FY 2007, OMB's latest projections are that the federal government will collect \$2.6 trillion in taxes, which is 18.8 percent of GDP (notably higher than the 18.2 percent average of the previous 40 years). Federal Revenues are on track to be \$800 billion higher in 2007 than was the case in 2003, just 4 years ago.

Ways and Means Committee Republicans note that this particular tax increase also opens up the possibility that U.S. trading partners will reciprocate and has the potential to impact the stock market, which would hurt millions of working Americans with investments.

Davis-Bacon:

The rule also places a provision in the bill concerning Davis-Bacon that some conservatives may have concerns with. Specifically, H.R. 2419 would extend Davis-Bacon wage requirements to the loan guarantee program.

Private Delivery of Services within State Food Stamp Programs:

Some conservatives may be concerned that the bill would prohibit states from contracting out food stamps to private vendors, such as what the Republican Governor in Indiana has for example. Conservatives may be concerned about this provision either because they believe such a decision should be left to a state government to decide or because they believe using private vendors may deliver better services.

Impact on Trade Policies:

Some conservatives may be concerned about the impact farm subsidies have on trade negotiations with other countries. Farm subsidies have been a barrier to lowering trade barriers, which in turn limits the markets that American farmers have access to.

Cost to Taxpayers: H.R. 2419 contains an increase in direct spending of \$17.5 billion over ten years. The House Budget Committee Republican staff cites a real cost of \$22.6 billion over ten years which is based on a score that does not include the budget gimmicks included in the bill.

Earmark Compliance: The Committee Report contains a statement that the bill contains no earmarks.

Does the Bill Expand the Size and Scope of the Federal Government?: Yes, the bill contains various new federal programs and authorities. The bill also increases Federal taxes.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: No

Constitutional Authority: The House Agriculture Committee, in the committee report cites constitutional authority in Article I, Clause 8, Section 18—“the necessary and proper clause.” House Rule XIII, Section 3(d)(1), requires that all committee reports contain “a statement citing the *specific* powers granted to Congress in the Constitution to enact the law proposed by the bill or joint resolution.” (*emphasis added*)

RSC Staff Contact: Brad Watson, brad.watson@mail.house.gov, (202) 226-9719