



April 15, 2008

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

Dear Mr. Chairman,

Public Law 110-196 extended various agricultural programs through April 18, 2008. If no further legislation is enacted, upon expiration of those programs, a number of permanent provisions of law, enacted in 1938 and 1949, would again take effect. Your letter of April 15, 2008, asked how CBO's baseline for agriculture spending would change without further Congressional action before April 18.

CBO would not change its baseline spending estimates for agricultural programs in the absence of any Congressional action. For the remainder of this Congressional session, CBO would continue to provide cost estimates for subsequent legislation relative to the March 2008 baseline (or, under certain circumstances, to the March 2007 baseline). If the U.S. Department of Agriculture were to implement the provisions of permanent law (known as the 1938 and 1949 Acts), CBO would reflect those actions in the baseline outlook to be published in January 2009.

You also asked how CBO would estimate the effects of potential lawsuits from producers of certain commodities. CBO has no basis for predicting the likelihood or outcome of any such lawsuits. Thus, we generally do not include estimates of potential future litigation in baseline projections or in the cost estimates for pending legislation.

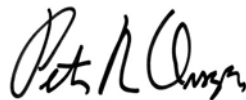
Finally, you asked how CBO would evaluate proposed legislative changes to commodity price supports under the 1949 and 1938 farm acts. Specifically, you asked how we would approach such estimates for provisions in a supplemental appropriations bill that would reduce some of the highest price-support levels under those underlying agriculture laws. As noted above,

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CBO will continue to provide cost estimates relative to our March 2008 baseline in the absence of any enacted farm support legislation. The budget impact of price-support levels enacted in a supplemental appropriations bill would be measured relative to levels assumed in the March 2008 baseline—not relative to those in the 1938 and 1949 acts. Thus, for example, reductions in the higher price-support levels in permanent law might not result in savings relative to the current baseline. We would assess the impact of any such proposals on a case-by-case basis.

I hope this information is helpful to you, and we would be happy to provide any additional information you need on this subject. The CBO staff contact is Jim Langley.

Sincerely,



Peter R. Orszag
Director

cc: Honorable Bob Goodlatte
Ranking Minority Member

Honorable Tom Harkin
Chairman
Senate Committee on Agriculture,
Nutrition, and Forestry

Honorable Saxby Chambliss
Ranking Republican Member

Honorable John M. Spratt Jr.
Chairman
House Committee on the Budget

Honorable Paul Ryan
Ranking Member

Honorable Kent Conrad
Chairman
Senate Committee on the Budget

Honorable Judd Gregg
Ranking Member