

October 17, 2022

Farm Bill Primer: Budget Dynamics

Congress may consider a new farm bill in 2023 because provisions authorized in the 2018 farm bill (P.L. 115-334) begin expiring at the end of FY2023. From a budgetary perspective, many farm bill programs are assumed to continue. Supplemental funding in recent years may influence policy expectations for a new farm bill.

Farm Bills from a Budget Perspective

Federal spending for agriculture is divided into two main categories—mandatory and discretionary spending:

- **Mandatory** spending is authorized primarily for the farm commodity programs, conservation, crop insurance, and the nutrition assistance programs. A farm bill authorizes outlays for mandatory programs when the law is enacted and follows budget enforcement rules.
- **Discretionary** appropriations are authorized, but not provided, for most other programs, including rural development, research, and credit programs. A farm bill sets program parameters. Funding may be provided in subsequent appropriations acts that follow separate budget enforcement rules.

Some farm bill programs have received both types of funding. Discretionary appropriations are the primary source for many programs, but mandatory spending usually dominates the farm bill budget debate and is the focus here.

Importance of Baseline to the Farm Bill

The Congressional Budget Office (CBO) **baseline** is a projection at a particular point in time of what future federal mandatory spending would be under the assumption that current law continues. The baseline is the *benchmark* against which proposed changes in law are measured.

When a bill is proposed that would affect mandatory spending, the **score** (cost impact) is measured in relation to the baseline. Changes that increase spending relative to the baseline have a *positive* score; those that decrease spending relative to the baseline have a *negative* score.

Increases in a bill's total cost beyond the baseline may be subject to budget constraints, such as pay-as-you-go (PayGo) rules. Reductions from the baseline may be used to offset costs for other provisions that have a positive score or used to reduce the federal deficit. The annual budget resolution determines whether a farm bill is held budget neutral or can increase or must decrease spending.

Recent Farm Bills' Budget Positions

Over the past two decades, farm bills have had both positive and negative scores relative to their baselines. The 2002 farm bill had a positive score and increased spending

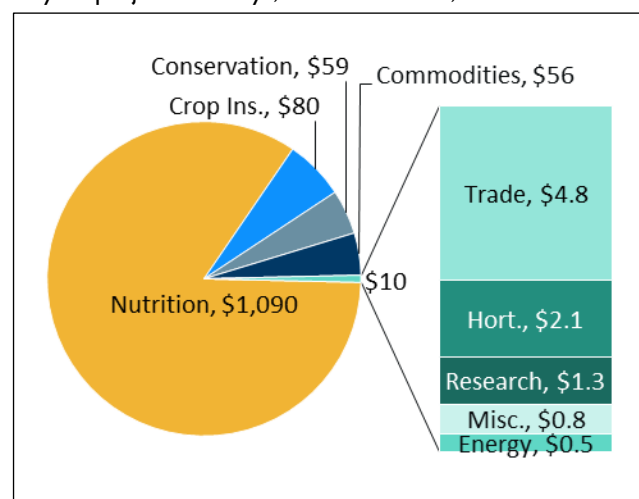
by \$73 billion over 10 years under a budget resolution during a budget surplus. The 2008 farm bill was budget neutral, although it added \$9 billion to outlays over 10 years by using offsets from a tax-related title. The 2014 farm bill had a negative score, reducing spending by \$16 billion over 10 years. The 2018 farm bill was budget neutral and offset reductions in some titles with increases in others.

CBO's May 2022 Baseline

As of this writing, the official baseline to write a farm bill in 2023 does not exist. CBO is expected to release an official scoring baseline for the 2023 legislative session in the spring of 2023, which would cover the 10-year period FY2024-FY2033. Currently, the May 2022 CBO baseline is the best indicator of future funding availability.

Farm bills have 5-year and 10-year budget projections according to federal budgeting practices. Using the May 2022 data and funding indicated in law for other farm bill programs, the baseline for farm bill programs is estimated at \$648 billion over 5 years (FY2023-FY2027) and \$1,295 billion over 10 years (FY2023-FY2032, **Figure 1**).

Figure 1. Farm Bill Titles with Mandatory Baseline
10-year projected outlays, FY2023-FY2032, billions of dollars



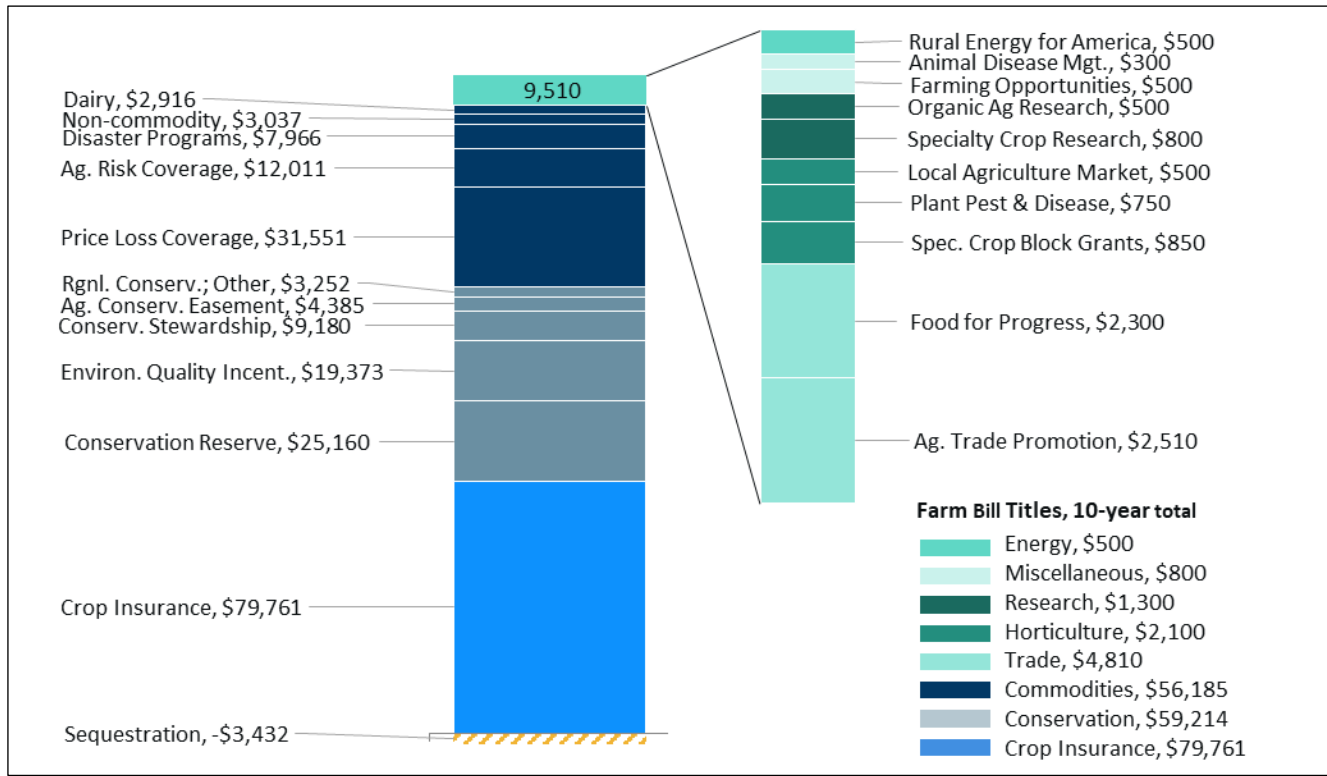
Source: CRS, using CBO May 2022 Baseline and amounts indicated in law for programs in other titles.

The relative proportions of farm bill spending have shifted over time. In the 2022 projection, the Nutrition title is 84% of the farm bill baseline, compared with about 76% when the 2018 farm bill was enacted. Increases in the Nutrition title since 2018 reflect consequences of the Coronavirus Disease 2019 (COVID-19) pandemic, inflation, and administrative adjustments pursuant to the 2018 farm bill. For the non-nutrition agriculture programs in the farm bill, current economic projections are that program outlays

would be \$205 billion over the next 10 years (**Figure 2**), 3% lower than at enactment in 2018.

Figure 2. Baseline for Agriculture Programs in the Farm Bill

10-year projected outlays (excluding the Nutrition title), FY2023-FY2032, millions of dollars



Source: Created by CRS using CBO May 2022 baseline and amounts indicated in law for programs in other titles.

Effect of Supplemental Payments

Supplemental spending is not part of the baseline but may be discussed because of its size in recent years. In FY2019 and FY2020, the Trump Administration increased outlays by over \$25 billion to producers affected by retaliatory tariffs. Since FY2020, Congress and the White House have provided supplemental pandemic assistance of over \$30 billion to farms and over \$60 billion for nutrition assistance.

In addition, P.L. 117-169 (often referred to as the Inflation Reduction Act of 2022, or IRA) added over \$17 billion in outlays for four programs in the farm bill's Conservation title and one program in the Energy title. The IRA funding is not regular farm bill funding. It is not permanent; the new budget authority is provided until FY2026, and the law states that outlays may not occur after FY2031 (**Figure 3**).

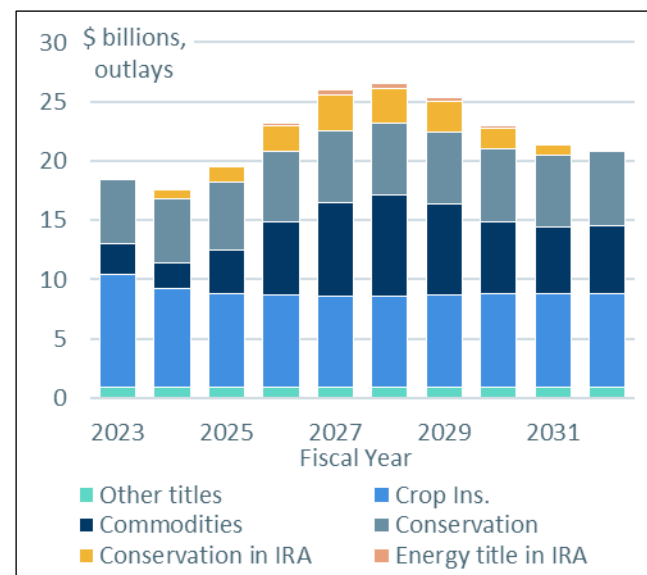
Since 2018, Congress has authorized more than \$15 billion of ad hoc disaster assistance for agricultural losses (CRS In Focus IF12101, *Farm Bill Primer: Disaster Assistance*). Congress may address the effectiveness of farm bill programs in light of this additional funding.

Programs Without Baseline

The 2018 farm bill added several new programs in **Figure 2** that received a permanent budget baseline. However, 19 other programs received mandatory funding in the 2018 farm bill but do not have a baseline beyond their expiration (CRS In Focus IF12115, *Farm Bill Primer: Programs*

Without Baseline Beyond FY2023). As Congress balances budget considerations, providing mandatory funding for programs without baseline would require budgetary offsets.

Figure 3. Agriculture Titles That Receive Mandatory Funding in the Farm Bill and Funding These Titles Receive in the Inflation Reduction Act



Source: CRS, using the May 2022 CBO baseline and CBO score of the Inflation Reduction Act (IRA; P.L. 117-169).

Notes: Excludes programs in the IRA that are not regularly provided mandatory funding in the farm bill. Includes estimated effects of budget sequestration.

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IF12233

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