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Farm Bill Primer: Budget Dynamics

Congress is considering a new farm bill because provisions in the 2018 farm bill (P.L. 115-334) began expiring at the end of FY2023 (CRS Report R47659, *Expiration of the 2018 Farm Bill and Extension in 2024*). In November 2023, Congress enacted a one-year extension for FY2024 and the crop year 2024 (P.L. 118-22, Division B, §102). On May 23, 2024, the House Committee on Agriculture passed H.R. 8467. The Senate Committee on Agriculture, Nutrition, and Forestry has not released bill text for a 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.

- **Discretionary** appropriations are authorized for most other programs, including rural development, research, and credit programs. Farm bills set program parameters. Funding may be provided in appropriations acts.

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 with increases in some titles offset by reductions in others.

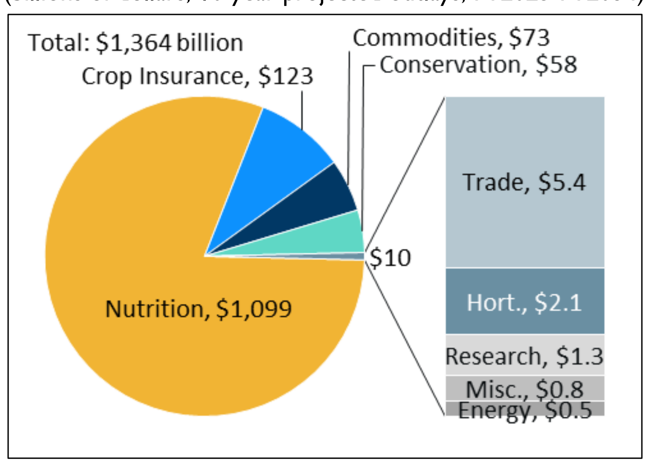
CBO's June 2024 Baseline

In June 2024, CBO released a new baseline that updates spending projections. It is the scoring baseline for the remainder of the 118th Congress, though the House Committee-passed farm bill markup of H.R. 8467 in May 2024 reportedly used the May 2023 baseline.

Farm bills have 5-year and 10-year budget projections according to federal budgeting practices. Converting the baseline into farm bill titles and adding funding indicated in law for other farm bill programs, CRS estimates that the baseline for all farm bill titles is $662 billion over 5 years (FY2025-FY2029) and $1,364 billion over 10 years (FY2025-FY2034) (**Figure 1**).

For the individual non-nutrition agricultural programs with baseline, current projections are for $265 billion of outlays over the next 10 years (**Figure 2**).

Figure 1. Farm Bill Titles with Mandatory Baseline
(billions of dollars, 10-year projected outlays, FY2025-FY2034)



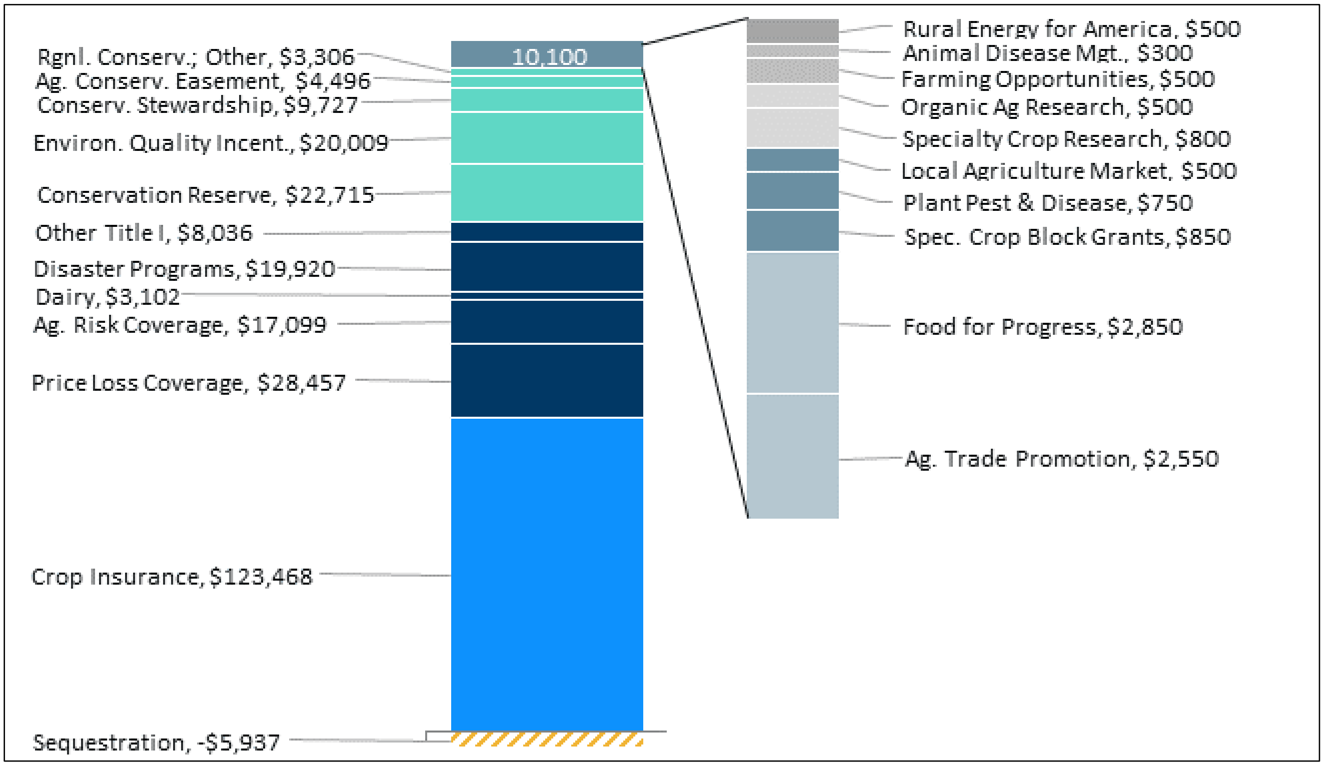
Source: Created by CRS using the Congressional Budget Office (CBO) June 2024 baseline for the five largest titles and amounts indicated in law for programs in other titles.

Extension of the Farm Bill in 2024

The one-year extension of the farm bill covers FY2024 and the 2024 crop year. It authorizes the continuation of programs with a mandatory spending baseline and provides one year of new mandatory funding for some programs that did not have a baseline. For the programs with a baseline, Congress did not need to offset the authorized spending.

Figure 2. Agriculture Programs with Baseline in the Farm Bill

(millions of dollars, 10-year projected outlays [excluding the nutrition title], FY2025-FY2034)



Source: Created by CRS using the CBO June 2024 baseline and amounts indicated in law for programs in other titles.

Programs Without Baseline

Twenty-one programs received mandatory funding in the 2018 farm bill but did not have a baseline beyond their expiration in FY2023. The farm bill extension for FY2024 provided $177 million of one-year mandatory funding to 19 of those programs, with an offsetting rescission from another program (CRS In Focus IF12115, *Farm Bill Primer: Programs Without Baseline Beyond FY2024*).

Supplemental Funding Not in the Baseline

Supplemental spending is not part of the baseline but may be important because of its size in recent years. In FY2019 and FY2020, the Trump Administration increased outlays by over $25 billion, exercising its authority to use the Commodity Credit Corporation for producers affected by retaliatory tariffs. From FY2020 to FY2022, Congress and the Trump and Biden Administrations provided over $30 billion to farms and over $60 billion for nutrition in pandemic assistance. Since 2018, Congress authorized more than $19 billion of ad hoc agricultural disaster assistance. In 2023, the Biden Administration announced $2 billion for trade promotion and food aid. In addition, P.L. 117-169 (referred to as the Inflation Reduction Act of 2022, or IRA) added over $17 billion for conservation and energy title programs. These amounts are not regular farm bill funding. Unobligated balances may be cancelled or repurposed as a budgetary offset for spending in new legislation.

2024 Farm Bill Markup

The budgetary impact of the House Committee-passed bill is difficult to assess since CBO has not released an official score. Press coverage has summarized key budgetary estimates the House Committee may have relied on while considering H.R. 8467. These include (1) a net increase of about $42 billion over 10 years to commodity support programs and crop insurance after an $8 billion offset by limiting discretionary use of the Commodity Credit Corporation, (2) budget neutral changes to conservation programs by moving about $13 billon of unobligated funding from the IRA (P.L. 117-169) into the conservation title, and (3) increases to activities in the nutrition title and other titles that are offset by a reduction of about $27 billion by limiting future increases to the Thrifty Food Plan (TFP) in the nutrition title.

These amounts are reported to have been scored relative to the May 2023 baseline. The 2023 baseline was about $100 billion higher over 10 years ($1,463 billion) than the June 2024 baseline (**Figure 1**). Scoring against the June 2024 baseline would likely change the estimates discussed above, but not necessarily in an easily predictable manner. The 10-year nutrition title baseline decreased by $123 billion since May 2023, meaning some proposed changes may have a smaller effect on the score. The crop insurance baseline increased by $22 billion, and the farm commodities baseline increased by a net $4 billion, of which the disaster programs' baseline increased by $9 billion while Price Loss

Coverage and Agricultural Risk Coverage baselines decreased by $7 billion over 10 years (and increased over the first five years). The effect of these budgetary issues would be further clarified by an official score of H.R. 8467.

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