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Farm Bill Primer: Budget Dynamics

Congress is considering a new farm bill because the 2018 farm bill (P.L. 115-334) and its one year extension (P.L. 118-22, Division B, §102) began expiring at the end of FY2024 (CRS Report R47659, *Expiration of the 2018 Farm Bill and Extension for 2024*). On May 23, 2024, the House Committee on Agriculture ordered reported H.R. 8467. On November 18, 2024, the Senate Agriculture Committee majority introduced S. 5335.

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, according to CBO. 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. In 2024, the House committee's bill, H.R. 8467, would increase the 10-year cost by \$28 billion.

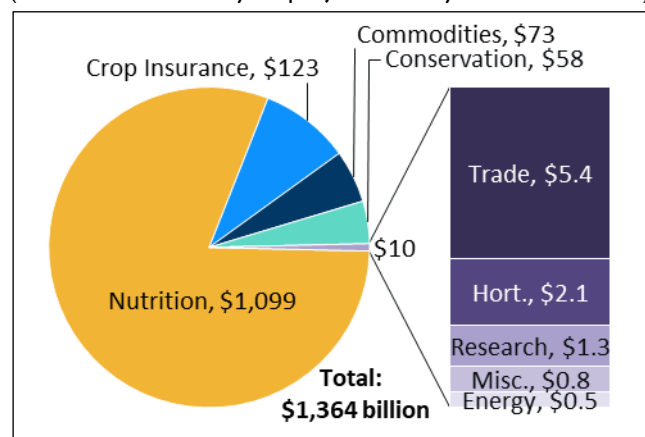
CBO's June 2024 Baseline

The current baseline used to score the bill is a June 2024 CBO baseline. CBO initially used the May 2023 baseline to score H.R. 8467 but updated the score in November 2024 using the newer baseline.

Farm bills have 5-year and 10-year budget projections according to federal budgeting practices. Converting the baseline update for programs into farm bill titles and adding funding indicated in law for other farm bill programs, CRS estimates that the 2024 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 individual agricultural programs with baseline, excluding nutrition, 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.

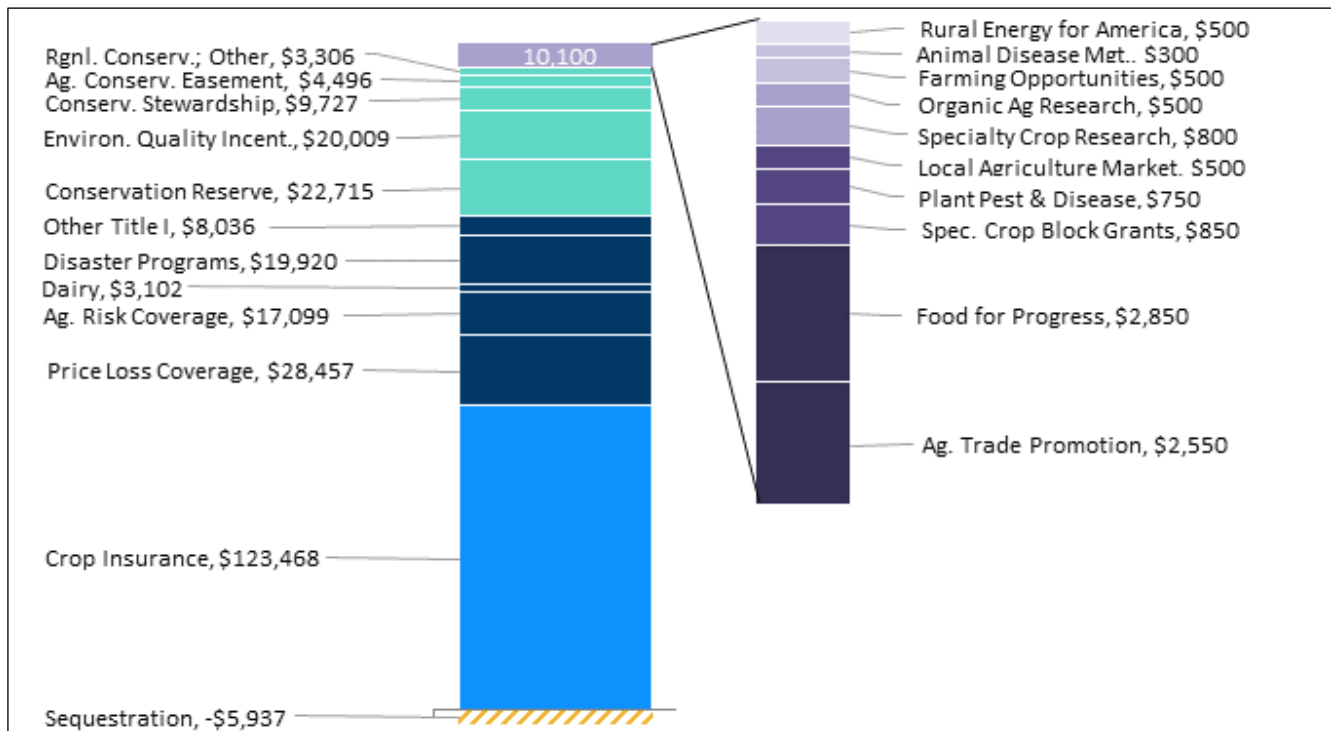
Extension of the Farm Bill in 2024

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 to cover the cost of their reauthorization. The 2023 farm bill extension for FY2024 provided \$177 million of one-year mandatory funding to 19 of those programs. It offset the cost with a rescission (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 and may have created expectations for the farm bill. In FY2019 and FY2020, the Trump Administration increased outlays by over \$25 billion for producers affected by retaliatory tariffs, exercising its authority to use the Commodity Credit Corporation. From FY2020 to FY2022, Congress and the Trump and Biden Administrations provided pandemic assistance over \$30 billion to farms and over \$60 billion for nutrition. Congress has authorized more than \$19 billion of ad hoc agricultural disaster assistance since 2018. Since 2021, the Biden Administration has announced \$3.5 billion for climate-smart commodities and \$2.3 billion for trade promotion and global food aid, among other initiatives. P.L. 117-169 (referred to as the Inflation Reduction Act) added over \$17 billion for conservation and energy title programs. Unobligated balances may be cancelled or repurposed as budgetary offsets.

2024 Farm Bill Markup

When the House Agriculture committee marked up H.R. 8467 in May 2024, CBO had not released an official score of the bill. In August 2024, CBO published a score using the year-old May 2023 baseline that indicated the bill would increase mandatory spending by \$33.0 billion over nine years (FY2025-FY2033). In November 2024, CBO updated the score of the bill using the June 2024 baseline, concluding that the bill would increase mandatory spending by \$28 billion over 10 years. This new score indicates a smaller increase in spending, though it is still not budget neutral for meeting budget enforcement rules.

The latest score indicates that the major changes in H.R. 8467 include a net increase of about \$37.0 billion over 10 years for commodity support programs, after accounting for the new restrictions on the Secretary of Agriculture's authority to use the Commodity Credit Corporation; a net increase of \$4.5 billion for conservation programs including incorporating funding from P.L. 117-169 (referred to as the Inflation Reduction Act); a net decrease of \$27.1 billion for the domestic nutrition programs, including by limiting future increases to the Thrifty Food Plan (TFP) that is used to determine Supplemental Nutrition Assistance Program (SNAP) benefit levels; and an increase of \$13.6 billion for other titles (CRS Report R48167, *The 2024 Farm Bill: H.R. 8467 Compared with Current Law*).

The Senate Committee on Agriculture, Nutrition, and Forestry has not marked up S. 5335, and CBO has not released a score for it.

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