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Updated October 20, 2023

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 (CRS Report R47659, *Expiration of the Farm Bill*). From a budget perspective, many farm bill programs are assumed to continue.

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. Supplemental funding in recent years is not part of the baseline but may influence policy expectations.

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

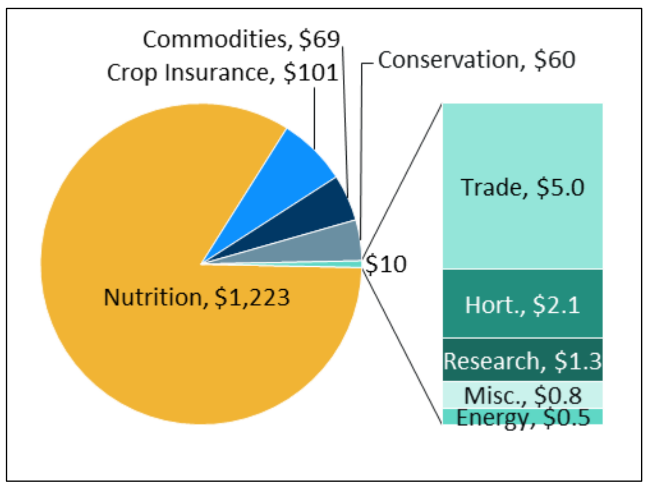
Over the past two decades, farm bills have had both positive and negative scores relative to their baselines. The 2002 farm bill had a positive score and increased spending by $73 billion over 10 years under a budget resolution during a budget surplus. The 2008 farm bill was budget neutral, although 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 2023 Baseline

In May 2023, CBO released the baseline that will be used to score bills during the 2023 legislative session.

Farm bills have 5-year and 10-year budget projections according to federal budgeting practices. Converting the May 2023 baseline into farm bill titles and adding funding indicated in law for other farm bill programs, the baseline for all farm bill titles is estimated at $725 billion over 5 years (FY2024-FY2028) and $1,463 billion over 10 years (FY2024-FY2033, **Figure 1**).

Figure 1. Farm Bill Titles with Mandatory Baseline
10-year projected outlays, FY2024-FY2033, billions of dollars

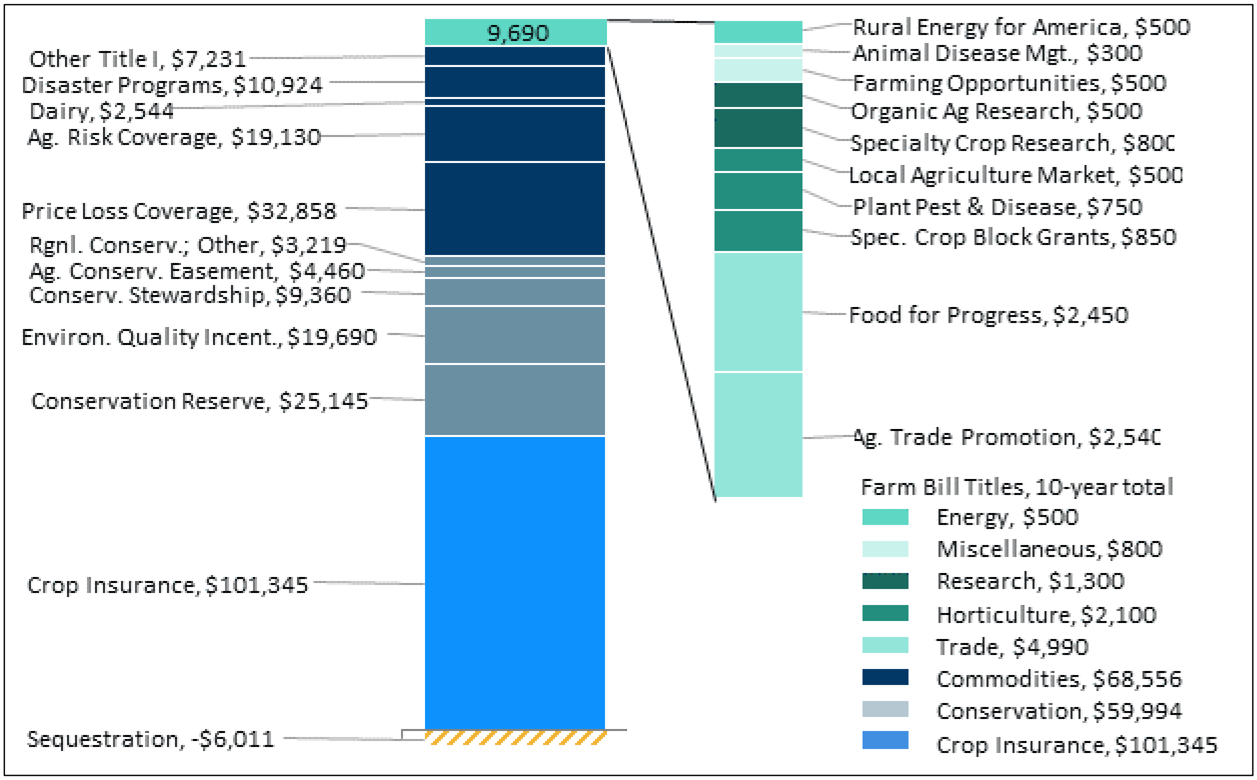


Source: Created by CRS using Congressional Budget Office (CBO) May 2023 Baseline for the five largest titles and amounts indicated in law for programs in other titles.

The relative proportions of farm bill spending have shifted over time. In the 2023 projection, the Nutrition title is 84% of the farm bill baseline, compared with about 76% when the 2018 farm bill was enacted. The increase in the 10-year baseline for the Nutrition title since 2018 is, coincidentally, 84%, reflecting consequences of the Coronavirus Disease 2019 (COVID-19) pandemic, inflation, and administrative adjustments in the Thrift Food Plan 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 $240 billion over the next 10 years (**Figure 2**), $30 billion or 14% greater than the 10-year projection at enactment in 2018 (CRS In Focus IF12047, *Farm Bill Primer: What Is the Farm Bill?*).

Figure 2. Agriculture Programs with Baseline in the Farm Bill

10-year projected outlays (excluding the Nutrition title), FY2024-FY2033, millions of dollars



Source: Created by CRS using the CBO May 2023 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. Unobligated balances may be cancelled or repurposed as a budgetary offset for additional spending in new legislation. 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.

Figure 3).

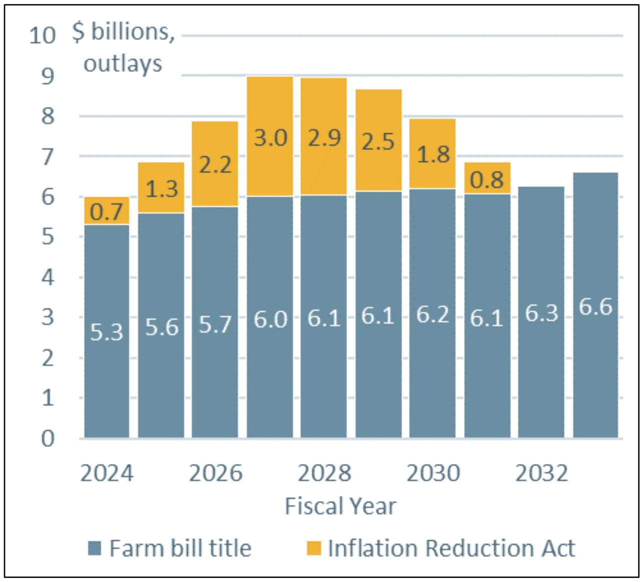
Since 2018, Congress has authorized more than $15 billion of ad hoc disaster assistance for agricultural losses (CRS In Focus IF12101, *Farm Bill Primer: Disaster Assistance*). Congress may address the effectiveness of farm bill programs in light of this additional funding.

Programs Without Baseline

The 2018 farm bill added several new programs in **Figure 2** that received a permanent budget baseline. However, 21 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.

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. Conservation Title Baseline in the Farm Bill and Conservation Funding in the Inflation Reduction Act of 2022



Source: Created by CRS using the May 2023 CBO baseline.

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