Budget Issues Shaping a 2012 Farm Bill

Jim Monke
Specialist in Agricultural Policy

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Summary

Congress periodically establishes agricultural and food policy in an omnibus farm bill. The House and Senate Agriculture Committees are developing a new farm bill to replace the expiring 2008 farm bill. Budget issues are one of the primary factors affecting the development of a new farm bill, particularly in a Congress that is focused on deficit reduction.

Funding to write the next farm bill will be based on the Congressional Budget Office (CBO) baseline projection of the cost of farm bill programs, and on varying budgetary assumptions about whether programs will continue. The CBO baseline is an estimation (projection) at a particular point in time of what federal spending on mandatory programs likely would be under current law. When new bills are proposed that affect mandatory spending, their impact (or "score") is measured as a difference from the baseline. This process sets the mandatory budget for considering a new farm bill.

The March 2012 CBO baseline for mandatory farm bill programs is $995 billion for the 10-year period FY2013-FY2022. Most of this baseline ($772 billion) is for domestic nutrition assistance programs, primarily the Supplemental Nutrition Assistance Program (SNAP). The rest, about $223 billion, is divided among various agriculture-related programs, primarily crop insurance ($90 billion), farm commodity price and income supports ($63 billion), and conservation ($65 billion). These amounts can be used to reauthorize the same programs, be reallocated among these and other programs, or used as offsets for deficit reduction or other programs.

The budget situation is more difficult and uncertain this year than for recent farm bills because of the attention on the federal debt. How much of the above baseline can be used to write a farm bill and how much will remain for 2013 and beyond is unknown. Uncertainty about government-wide deficit reduction plans is beyond the control of the agriculture committees and may not be resolved for months. Several high-profile congressional and Administration proposals for deficit reduction are specifically targeting agricultural programs with mandatory funding. Across-the-board reductions to most farm bill programs also could occur in 2013 unless Congress avoids an automatic budget sequestration process. Moreover, some 2008 farm bill programs do not have a baseline to continue, and some budgeting rules have changed since the last farm bill.

The desire by many to redesign farm policy and reallocate the remaining farm bill baseline—in a sequestration and deficit reduction environment—is driving much of the farm bill debate this year. Political dynamics concerning sequestration and broader deficit reduction goals leave open difficult questions about how much and when the farm bill baseline may be reduced. In this context, Congress faces difficult choices about how much total support to provide for agriculture, and how to allocate that support among competing constituencies.

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Congress periodically establishes agricultural and food policy in an omnibus farm bill. The most recent one—the 2008 farm bill (Food, Conservation, and Energy Act of 2008, P.L. 110-246)—generally expires in 2012. Therefore, the House and Senate Agriculture Committees are developing a new farm bill. Budget issues are one of the primary factors affecting the development of a new farm bill, particularly in a Congress that is focused on deficit reduction. How much funding is available to write a farm bill? How much of that baseline may be taken for deficit reduction? And what are the budget mechanisms and uncertainties?[1]

Budget Background

Farm bills include a wide range of authorities. In addition to determining the policy direction for farm bill programs, the farm bill also "pays" for mandatory spending by creating the necessary budget authority. This is done under the jurisdiction of authorizing committees, using resources available under budget rules. On the other hand, discretionary programs that are authorized in the farm bill are paid for separately in annual appropriations bills under the jurisdiction of the appropriations committees.[2] This report focuses on mandatory spending.

Mandatory spending in the farm bill is used primarily for the farm commodity programs; crop insurance;[3] most nutrition assistance programs; and some conservation, trade, and horticulture programs. Some smaller research, bioenergy, and rural development programs sometimes receive mandatory funding, but their combined share is less than 1% of the total.[4]

What Is the CBO Baseline?

Funding to write the next farm bill will be based on the Congressional Budget Office (CBO) baseline projection of the cost of these farm bill programs, and on varying budgetary assumptions about whether programs will continue. These amounts are shown in the CBO baseline projections for mandatory spending (direct spending) and in budget scores of proposed bills. CBO develops the baseline under the supervision of the House and Senate Budget Committees.[5] This process sets the mandatory budget for the farm bill.

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[1] For more on expiration dates of the 2008 farm bill and consequences of legislative delays, see CRS Report R42442, *Possible Extension or Expiration of the 2008 Farm Bill*. For more on the scope of a farm bill and policy issues, see CRS Report RS22131, *What Is the "Farm Bill"?*, and CRS Report R42357, *Previewing the Next Farm Bill*.

[2] See CRS Report R41964, *Agriculture and Related Agencies: FY2012 Appropriations*, for more on discretionary funds.

[3] Crop insurance is permanently authorized. Prior to 2008, crop insurance was not considered part of the farm bill.

[4] Mandatory spending in agriculture historically was reserved for programs such as the farm commodity programs and crop insurance that had uncertain outlays because of weather and market conditions. Mandatory spending creates funding stability and consistency compared to the appropriations process. Given the availability of mandatory funding in their jurisdiction, the authorizing committees sometimes have provided mandatory funding for programs that usually have been funded with discretionary appropriations. However, appropriators have argued that this use of mandatory spending has moved beyond the intended purpose and has reduced appropriators' oversight and control. Appropriators have enacted "changes in mandatory program spending" (CHIMPS) to reduce or block mandatory outlays for some of these newer mandatory programs. For more on this practice, see CRS Report R41245, *Reductions in Mandatory Agriculture Program Spending*, and CRS Report R41964, *Agriculture and Related Agencies: FY2012 Appropriations*.

[5] For more information, see CRS Report 98-560, *Baselines and Scorekeeping in the Federal Budget Process*.

The CBO baseline is an estimation (projection) at a particular point in time of what federal spending on mandatory programs likely would be under current law.[6] CBO periodically re-estimates the baseline to incorporate changes in economic conditions. When CBO makes periodic updates to the baseline, the changes do not trigger budget enforcement mechanisms but instead show how changing economic conditions affect outlays under current law. That is, increases in projected costs from last year's baseline to this year's re-estimate (e.g., because more people qualify for entitlements) do not require offsets to pay for higher costs. Likewise, reductions in projected costs from last year's baseline to this year's re-estimate (e.g., because less government intervention is needed) do not create savings that can be used to pay for other programs.

However, when developing legislation like a farm bill, the baseline serves as a benchmark or starting point for changes that a bill would make. When new bills affect mandatory spending, their impact (or "score") is measured as a difference from the baseline. Projected increases in budgetary cost above the baseline (that is, a positive score, a score greater than zero) may be subject to budget constraints such as PAYGO.[7] Projected reductions in cost below the baseline (that is, a negative score, a score less than zero) provide savings for deficit reduction or offsets that can be used to help pay for other provisions that have positive scores.

From a budget perspective, programs with a continuing baseline are assumed to go on under current law, and have their own funding for reauthorization if policymakers want them to continue.[8] Normally, a program that receives mandatory funding in the last year of its authorization will be assumed to continue at that level of funding into the future as if there were no change in policy. This allows major farm bill provisions such as the farm commodity programs or nutrition assistance to be reauthorized periodically without assuming that funding will cease or following zero-based budgeting. However, some programs may not be assumed to continue in the budget baseline beyond the end of a farm bill because

- the program did not receive new mandatory budget authority during the last year of a farm bill, or
- the baseline during the last year of a farm bill is below a minimum $50 million scoring threshold that is needed to continue a baseline, or
- the budget and agriculture committees did not give the program a baseline in the years beyond the farm bill in order to reduce the farm bill's 10-year cost.[9]

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[6] For example, the March 2012 CBO baseline projection for the farm commodity programs, conservation programs, crop insurance, and trade programs is available at http://cbo.gov/publication/43053. This is the "scoring baseline" against which a 2012 farm bill would be measured for the remainder of the second session of the 112th Congress.

[7] PAYGO generally requires that direct spending and revenue legislation enacted into law not increase the deficit. It does not address deficit increases that are projected to occur under existing law, nor does it apply to discretionary spending. See CRS Report R41157, *The Statutory Pay-As-You-Go Act of 2010: Summary and Legislative History*.

[8] This report does not explain the issue of certain mandatory programs not having future baseline. For that discussion, see CRS Report R41433, *Expiring Farm Bill Programs Without a Budget Baseline*.

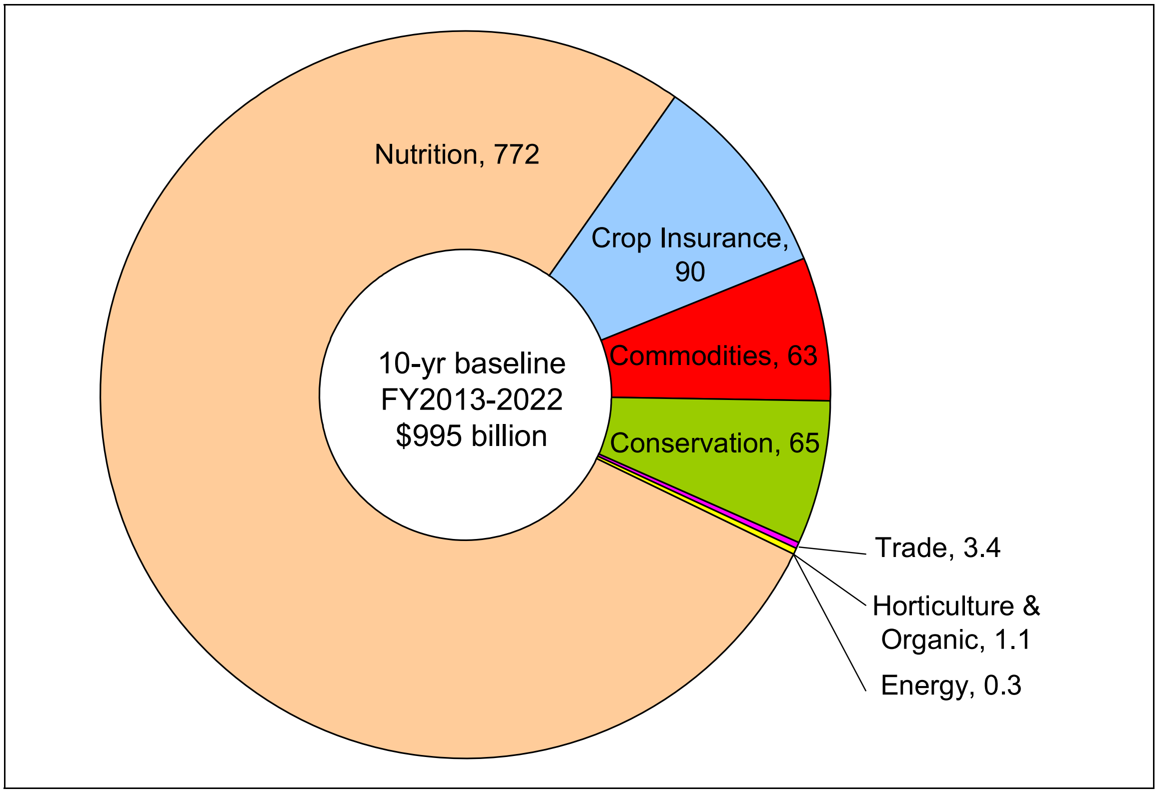
[9] Section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177, 2 U.S.C. 907), as amended, specifies that expiring mandatory spending programs are assumed to continue in the budget baseline if they have outlays of more than $50 million in the current year and were established before the Balanced Budget Act of 1997. Programs established later are not automatically assumed to continue, and are assessed program by program in consultation with the House and Senate Budget Committees. (CBO, *The Budget and Economic Outlook: Fiscal Years 2012 to 2022*, pp. 11 and 64, at http://www.cbo.gov/sites/default/files/cbofiles/attachments/01-31-2012_Outlook.pdf).

CBO Baseline for Farm Bill Programs

The March 2012 CBO baseline for mandatory farm bill programs is $995 billion for the 10-year period FY2013-FY2022.[10] Most of this baseline ($772 billion, or 78%) is for domestic nutrition assistance programs, primarily the Supplemental Nutrition Assistance Program (SNAP).[11] The rest, about $223 billion, is divided among various agriculture-related programs, primarily crop insurance ($90 billion, or 9%), farm commodity price and income supports ($63 billion, or 6%), and conservation ($65 billion, or 7%). Less than 1% of the baseline is for international trade ($3 billion) and horticulture programs ($1 billion). See **Figure 1**.

Figure 1. Ten-Year Mandatory Baseline for Farm Bill Titles

(10-year budget authority FY2013-2022 in billions of dollars by farm bill title)



Source: CRS, using the March 2012 CBO baseline.

Notes: Includes $0.9 billion of baseline in FY2013-FY2014 for expiring programs that do not have baseline to continue (primarily the Wetlands Reserve Program, Grasslands Reserve Program, and Biomass Crop Assistance Program, but also including other bioenergy programs, the Rural Microenterprise Assistance Program, and local food aid purchases in developing countries).

[10] CBO, "March 2012 Baseline for the 2008 Farm Bill Programs and Provisions, by Title," unpublished, March 2012.

[11] The farm bill baseline includes SNAP but not the child nutrition (e.g., school lunch) programs due to jurisdictional differences. While the Senate Agriculture Committee has jurisdiction over child nutrition, the House Agriculture Committee does not. The child nutrition programs would add $238 billion of baseline over 10 years. The Supplemental Nutrition Program for Women, Infants, and Children (WIC) is discretionary and is funded in Agriculture appropriations.

Table 1 lists the CBO baseline amounts for the farm bill titles shown in **Figure 1** and for the individual programs that have baseline within each title. The table provides data for each year FY2013-FY2017, the 5-year total (FY2013-FY2017), and the 10-year total (FY2013-FY2022).

Table 1 also shows an alternative total. Some programs have baseline in FY2013-FY2014, but are not considered to continue beyond the end of the 2008 farm bill. These include the Wetlands Reserve Program, Grasslands Reserve Program, Biomass Crop Assistance Program and other bioenergy programs, Rural Microenterprise Assistance Program, and local food aid purchases in developing countries. Without these programs, the 10-year baseline for "continuing" farm bill programs is $994 billion, and $222 billion for the non-nutrition agricultural programs.

Table 1. Baseline for Mandatory Farm Bill Programs, FY2013-FY2022

(budget authority in millions of dollars)

							5- and 10-year totals	
	2008 Farm Bill Titles and Programs	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**	**FY2013-FY2017**	**FY2013-FY2022**
I	**Commodity Programs**	**5,750**	**6,005**	**6,636**	**6,467**	**6,285**	**31,143**	**62,944**
	Direct payments	4,957	4,958	4,958	4,958	4,958	24,789	49,580
	Counter-cyclical, ACRE, Marketing loans	140	426	1,038	840	669	3,113	6,881
	Interest and operating expenses	26	61	96	131	138	452	1,139
	Economic assistance to cotton mills	57	55	55	55	55	277	548
	MILC and other dairy assistance	54	48	50	50	46	248	432
	Other	515	456	439	433	419	2,262	4,365
II	**Conservation**	**6,093**	**5,992**	**6,113**	**6,320**	**6,438**	**30,956**	**65,275**
	Conservation Reserve Program	2,219	2,400	2,538	2,581	2,466	12,204	24,399
	Conservation Security/Stewardship Program	1,100	1,294	1,415	1,579	1,812	7,200	18,544
	Environmental Quality Incentives Program	1,750	1,750	1,750	1,750	1,750	8,750	17,500
	Farmland Protection Program	200	200	200	200	200	1,000	2,000
	Wildlife Habitat Incentives Program	85	85	85	85	85	425	850
	Wetlands Reserve Program[a]	577	133	0	0	0	710	710
	Agricultural Water Enhancement Program	60	60	60	60	60	300	600
	Chesapeake Bay Watershed Program	50	50	50	50	50	250	500
	Agricultural Management Assistance	15	15	10	10	10	60	110
	Grassland Reserve Program[a]	32	0	0	0	0	32	32
	Emergency Forestry Conservation Reserve	5	5	5	5	5	25	30
III	**Trade**	**346**	**344**	**344**	**344**	**344**	**1,722**	**3,442**
	Market Access Program	200	200	200	200	200	1,000	2,000
	Export donations ocean transportation	100	100	100	100	100	500	1,000
	Foreign market development cooperator	35	35	35	35	35	173	345
	Specialty crop technical assistance	9	9	9	9	9	45	90
	Local food aid purchases[a]	2	0	0	0	0	2	2

	2008 Farm Bill Titles and Programs	FY2013	FY2014	FY2015	FY2016	FY2017	5- and 10-year totals FY2013-FY2017	FY2013-FY2022
IV	**Nutrition (SNAP)[b]**	**82,022**	**79,799**	**80,059**	**79,664**	**78,024**	**399,567**	**771,773**
VI	**Rural Development**	**3**	**0**	**0**	**0**	**0**	**3**	**3**
	Rural Microenterprise Assistance Program[a]	3	0	0	0	0	3	3
IX	**Energy**	**131**	**0**	**0**	**19**	**23**	**173**	**324**
	Feedstock Flexibility Program	0	0	0	19	23	42	193
	Other (expiring programs, incl. BCAP)[a]	131	0	0	0	0	131	131
X	**Horticulture and Organic Agriculture**	**105**	**105**	**105**	**105**	**105**	**525**	**1,050**
	Specialty Crop Block Grants	55	55	55	55	55	275	550
	Plant Pest and Disease Management	50	50	50	50	50	250	500
XII	**Crop Insurance**	**8,412**	**8,528**	**8,702**	**8,788**	**8,903**	**43,333**	**89,817**
	Premium Subsidy	5,924	6,007	6,138	6,210	6,305	30,585	63,750
	Delivery Expenses	1,352	1,368	1,385	1,386	1,387	6,878	13,831
	Underwriting Gains	1,137	1,154	1,179	1,193	1,212	5,876	12,247
	Total Farm Bill Baseline	**102,862**	**100,773**	**101,959**	**101,707**	**100,122**	**507,422**	**994,628**
	Nutrition	82,022	79,799	80,059	79,664	78,024	399,567	771,773
	Non-nutrition	20,840	20,974	21,900	22,043	22,098	107,855	222,855
	Alternate total:							
	Minus baseline of programs that do not continue[a]	*-745*	*-133*	*0*	*0*	*0*	*-878*	*-878*
	Remainder for continuing programs	*102,117*	*100,640*	*101,959*	*101,707*	*100,122*	*506,544*	*993,750*
	Remainder for non-nutrition programs	*20,095*	*20,841*	*21,900*	*22,043*	*22,098*	*106,977*	*221,977*

Source: CRS, using the CBO Baseline (March 2012).

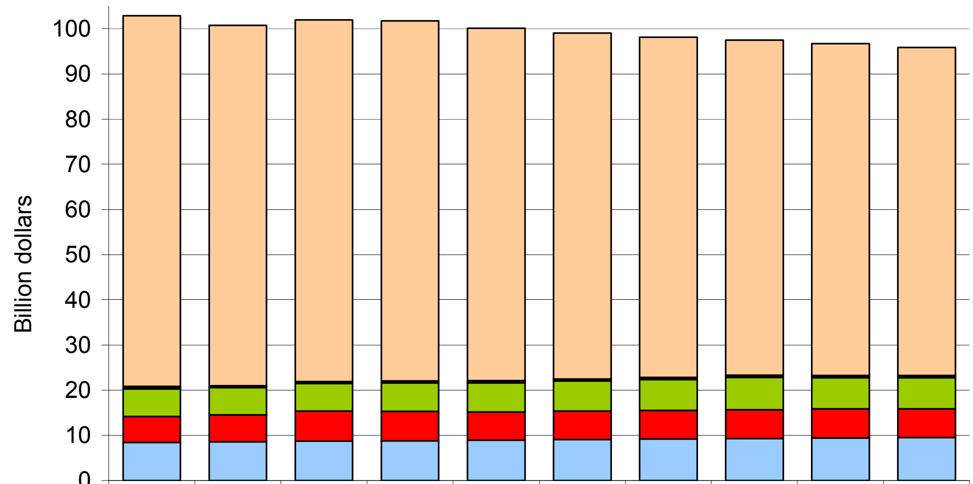
Note: Several titles in the 2008 farm bill—Titles V (Credit), VII (Research), VIII (Forestry), XI (Livestock), XIII (Commodity Futures Trading Commission), XIV (Miscellaneous), and XV (Trade and Taxes)—have no programs with budget baseline for the next 10 years. Some 2008 farm bill programs in these titles, however, may have received mandatory funding in FY2008-FY2012; these programs are listed in CRS Report R41433, *Expiring Farm Bill Programs Without a Budget Baseline*.

a. Some programs are listed as having baseline in FY2013-FY2014, but are not considered to have funding to continue beyond the end of the 2008 farm bill. These include the Wetlands Reserve Program in FY2013-FY2014 ($710 million total), and in FY2013 only the Grasslands Reserve Program ($32 million), the Biomass Crop Assistance Program and other bioenergy programs ($131 million), the Rural Microenterprise Assistance Program ($3 million), and local food aid purchases in developing countries ($2 million). See CRS Report R41433, *Expiring Farm Bill Programs Without a Budget Baseline*, for details.

b. The nutrition title here includes only the Supplemental Nutrition Assistance Program (SNAP) and related programs because the House Agriculture Committee does not have jurisdiction over other nutrition programs such as child nutrition. These programs are not addressed or reauthorized in the context of the farm bill. Child nutrition programs, under the jurisdiction of the Senate Agriculture Committee, would add $238 billion over 10 years.

Figure 2. Mandatory Baseline for Farm Bill Titles, FY2013-FY2022

(annual budget authority in billions of dollars by farm bill title)



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Nutrition	82.02	79.80	80.06	79.66	78.02	76.58	75.34	74.23	73.47	72.59
Energy	0.13	0.00	0.00	0.02	0.02	0.03	0.03	0.03	0.03	0.04
Horticulture & Organic	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11
Trade	0.35	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34
Conservation	6.09	5.99	6.11	6.32	6.44	6.64	6.84	7.10	6.87	6.87
Commodities	5.75	6.01	6.64	6.47	6.29	6.29	6.28	6.38	6.48	6.38
Crop Insurance	8.41	8.53	8.70	8.79	8.90	9.08	9.20	9.30	9.41	9.49

Source: CRS, using the March 2012 CBO baseline.

Notes: Includes $0.75 billion of baseline in FY2013 (mostly in Conservation and Energy) and $0.13 billion of baseline in FY2014 (in Conservation) for expiring programs that do not have baseline to continue.

The 2008 farm bill's programs, if they were to continue under current law, are expected to spend just over $100 billion per year through FY2017, declining to under $100 billion during each of the second five years. The nutrition portion is expected to decline, while conservation and crop insurance outlays are expected to increase slightly (**Figure 2**).

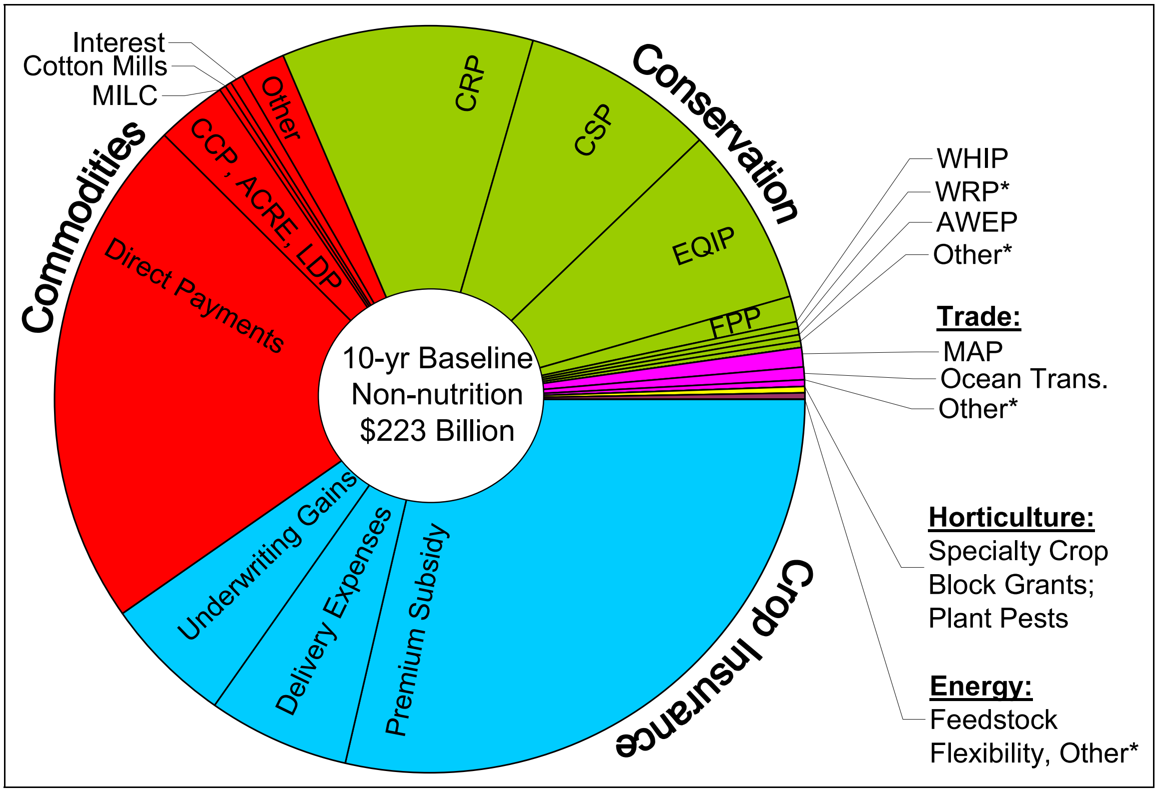
Figure 3 shows the baselines of the individual non-nutrition farm bill programs relative to the total $223 billion non-nutrition agriculture baseline over 10 years. The colors assigned to the programs are consistent with the colors of the titles in earlier figures, and show which programs in each title have the most baseline.

In the farm commodity programs, "direct payments" are the primary program with a mandatory funding baseline. Direct payments have become vulnerable politically in this high farm-income environment because they are made regardless of market price and farm income conditions.[12] The other farm commodity programs that make "counter-cyclical payments" do not have much baseline presently because high market prices for farm commodities (which generally are expected to continue) have reduced the need for government support.

[12] For more background and terminology, see CRS Report R41317, *Farm Safety Net Programs: Issues for the Next Farm Bill*.

Figure 3. Ten-Year Mandatory Baseline for Non-Nutrition Agricultural Programs

(10-year budget authority FY2013-FY2022 in billions of dollars for programs in a subset of farm bill titles)



Source: CRS, using the March 2012 CBO baseline.

Notes: MILC = Milk Income Loss Contract Program; CCP = counter-cyclical payments; ACRE = Average Crop Revenue Election Program; LDP = loan deficiency payments; CRP = Conservation Reserve Program; CSP = Conservation Security/Stewardship Program; EQIP = Environmental Quality Incentives Program; FPP = Farmland Protection Program; WHIP = Wildlife Habitat Incentive Program; WRP = Wetlands Reserve Program; AWEP = Agricultural Water Enhancement Program; MAP = Market Access Program. Includes $0.9 billion of baseline in FY2013-FY2014 for expiring programs (*) that do not have baseline to continue, primarily the Wetlands Reserve Program, Grasslands Reserve Program, and Biomass Crop Assistance Program, but also including other bioenergy programs, the Rural Microenterprise Assistance Program (not shown), and local food aid purchases in developing countries.

The crop insurance baseline is larger by comparison, but is considered by most farmers and policymakers to be the most important remaining component of the farm "safety net." Premium subsidies to farmers are the largest component, but reimbursements to insurance companies for delivery expenses and underwriting gains are not insignificant.

Total estimated costs of the conservation programs are now about as large as estimated farm commodity spending and only slightly less than crop insurance. The largest three conservation programs have over 93% of total conservation baseline (the Conservation Reserve Program, the Conservation Security Program, and the Environmental Quality Incentives Program).

Two other farm bill titles have more than $1 billion of 10-year baseline. The Trade title has $3.4 billion, with most of it in the Market Access Program (MAP). The Horticulture and Organic Agriculture title has $1 billion of 10-year baseline, with half in specialty crop block grants, and half for pest and disease prevention. The Energy title has $0.3 billion of 10-year baseline for continuing programs, specifically the Feedstock Flexibility program to convert sugar to ethanol.

Farm Bill Baseline Issues

The budget situation is more difficult and uncertain this year than for recent farm bills because of the attention to the federal debt. How much of the above baseline can be used to write a farm bill and how much will remain for 2013 and beyond is unknown, given the uncertainty about deficit reduction that is beyond the control of the agriculture committees and may not be resolved for months. Several high-profile congressional and Administration proposals for deficit reduction are specifically targeting agricultural programs with mandatory funding. Across-the-board reductions to most farm bill programs also could occur in 2013 unless Congress avoids an automatic budget sequestration process. Moreover, some 2008 farm bill programs do not have a baseline to continue, and some budgeting rules have changed since the last farm bill.

Nutrition Title Share of Farm Bill Baseline

The proportion and size of the farm bill budget in the nutrition title has increased over time. When the 2008 farm bill was enacted, the nutrition title was 67% of the 10-year total ($406 billion out of a $604 billion 10-year projected total).[13] Five years later, it is 78% of the total ($772 billion out of a $995 billion 10-year projected total). This trend does not mean, however, that the nutrition programs have grown at the expense of the agricultural programs.

In the CBO baseline, each program is evaluated separately to determine its own expected costs using the formulas in law. Baseline projections rise and fall based on changes in economic conditions. In recent years, the nutrition program baseline has risen because current and expected food assistance needs increased as an automatic safety net during the recession. At the same time, crop insurance baseline increased as expected crop market prices rose, causing the insured value of crops and premium subsidies to grow. Conversely, farm commodity program baseline fell as those market prices rose and less counter-cyclical price support is expected. The CBO baseline thus reflects expectations under current law. The allocation of baseline among titles and the size of each amount is not a zero-sum game when CBO updates the baseline projection over time.

Budget Reconciliation in the House Budget Resolution

On March 29, 2012, the House of Representatives passed a budget resolution for FY2013 that requires the House Agriculture Committee to report, by April 27, 2012, recommendations to the House Budget Committee for a reconciliation bill (H.Con.Res. 112, §201). The House Agriculture Committee is to identify $33.2 billion of reductions over a 10-year period from programs in its jurisdiction. The reconciliation recommendation could reveal elements of the House's approach to a farm bill, but a separate, more comprehensive House farm bill on its own legislative track is expected later.[14] The House Budget Committee report that accompanies the budget resolution notes that reductions in nutrition programs could be used to meet reconciliation

[13] See CRS Report R41195, *Actual Farm Bill Spending and Cost Estimates*.

[14] "Despite Budgetary Uncertainty, Lawmakers Ready for Action on Farm Bill," *Congressional Quarterly*, April 13, 2012, at http://www.cq.com/doc/news-4061650; and National Sustainable Agriculture Coalition, "Path to the Farm Bill: Stripped Down House Farm Bill by April 27," March 22, 2012, at http://sustainableagriculture.net/blog/farm-bill-by-april-27.

goals, but the reconciliation process ultimately leaves the decision to the authorizing committee for what program changes to recommend to achieve budgetary savings.[15]

The Senate may not pass a budget resolution for FY2013, but may instead follow the budget levels intended for FY2013 under the Budget Control Act of 2011 (P.L. 112-25). Without a Senate budget resolution, the budget reconciliation process started in the House most likely would not be considered in the Senate.[16]

Separate from the budget reconciliation process, the House budget resolution (H.Con.Res. 112) recommends $179 billion of cuts over 10 years to programs in the House Agriculture Committee's jurisdiction.[17] These cuts, though not required to be enacted or recommended by the Agriculture Committee, are envisioned as part of the broader long-term House Budget Committee plan for deficit reduction. The non-binding resolution acknowledges that the Agriculture Committee would decide how to allocate the $179 billion reduction, but proposes $29 billion of cuts over 10 years to agriculture programs such as direct payments, crop insurance, and export assistance;[18] $134 billion of cuts to nutrition assistance programs;[19] and an unspecified reduction of $16 billion, likely from conservation programs.[20] This FY2013 budget resolution is very similar to the proposals for agriculture in the FY2012 House budget resolution (H.Con.Res. 34).

Government-Wide Deficit Reduction Proposals

In recent years, increasing attention has been given to reducing government spending and balancing the federal budget. In February 2010, President Obama created the National Commission on Fiscal Responsibility and Reform, with bipartisan leaders, to identify changes to balance the budget. Since then, several other government-wide proposals have been made for deficit reduction, and most have included agriculture to some extent.

In these government-wide deficit reduction proposals, cuts from the agriculture committees' baseline range from $10 billion in the President's Fiscal Commission, $11 billion in the "Gang of Six" proposal, $30 billion in the Bipartisan Policy Center plan, $32 billion in the President's FY2013 budget, and $33 billion in House budget reconciliation instructions, to as much as $179 billion in the House-passed FY2013 budget resolution (**Table 2**). These proposals often are compared to the $23 billion reduction offered by the leadership of the House and Senate Agriculture Committees in November 2011 to the Joint Select Committee on Deficit Reduction (a.k.a., the Super Committee).

Each of these proposals specifically recommend some reduction to the farm commodity programs—often mentioning eliminating direct payments, but sometimes also with limits on farm

[15] H.Rept. 112-421, at p. 166.

[16] "Recurring GOP Targets on Panels' Trim Lists," *Congressional Quarterly*, April 13, 2012, at http://www.cq.com/doc/news-4061655; and "Conrad Announces Budget Markup for Wednesday," *The Hill,* April 16, 2012, at http://thehill.com/blogs/on-the-money/budget/221755.

[17] H.Rept. 112-421, at p. 159.

[18] Ibid., at pp. 67-68.

[19] Ibid., at p. 100. See also footnote 20.

[20] House Committee on Agriculture (minority), "FY2013 Budget—Implications for Agriculture," March 28, 2012, at http://democrats.agriculture.house.gov/inside/Pubs/FY2013%20Republican%20Budget%20Implications%20for%20Agriculture.pdf.

payments or reductions to crop insurance. Export promotion programs and certain conservation programs also are commonly targeted. Only the House budget resolutions for FY2012 and FY2013, and to a much smaller extent the agriculture committees' bicameral recommendation to the Joint Select Committee on Deficit Reduction recommend reductions to the nutrition program baseline. To date, none of these plans has been enacted. But together, they represent a range of common ideas and the visibility for deficit reduction of the agriculture and nutrition baselines.

Table 2. Broad Deficit Reduction Proposals That Affect Farm Bill Programs

Proposal	Total Farm Bill Reduction	Detailed Provisions	Individual Savings (-) or Costs (+)
1. Bipartisan Policy Center (Domenici-Rivlin Task Force, Nov. 2010)	$30 billion [2012-2020]	Reduce farm program spending by eliminating farm payments to producers with adjusted gross income greater than $250,000 and setting a lower maximum payment for direct payments.	-$15 billion
		Reduce subsidies to private crop insurance companies. Reduce premium subsidy for farmers from 60% to 50%.	-$9 billion
		Consolidate and cap certain agriculture conservation programs.	-$6 billion
2. President's Fiscal Commission (Simpson-Bowles, Dec. 2010)	$10 billion [2012-2020]	Reduce mandatory agricultural programs, including reductions in direct payments, limits on conservation programs (CSP and EQIP), and reductions for the Market Access Program.	-$15 billion
		Extend disaster assistance programs in the 2008 farm bill.	+$5 billion
3. House Budget Resolution for FY2012 (H.Con.Res. 34, Apr. 2011)	$178 billion [2012-2021]	Reduce direct payments, crop insurance subsidies, and export assistance programs.	-$30 billion
		Convert SNAP into an allotment tailored for each state.	-$127 billion
		Unspecified remainder, much of which is likely conservation.	-$21 billion
4. Gang of Six (July 2011)	$11 billion [10 years]	Require agriculture committees to reduce mandatory spending, and encourage them to protect SNAP (food stamps).	-$11 billion
5. President's Deficit Reduction Plan (Sept. 2011; amounts updated in Feb. 2012 for FY2013 budget request)	$32 billion [2013-2022]	Eliminate direct payments. (Ten-year baseline is $49 billion, but CBO assumes interaction effect from increased enrollment in ACRE. Net effect is shown.)	-$30 billion
		Reduce crop insurance outlays by (1) reducing administrative and overhead reimbursements to crop insurance companies and (2) reducing premium subsidies to farmers.	-$7.7 billion
		Extend disaster assistance programs in 2008 farm bill for five years, through 2017.	+$8 billion
		Reduce conservation payments by better targeting cost-effective programs. Reduce CRP by $1 billion and EQIP by $1 billion.	-$2 billion
6. House and Senate Agriculture Committees, for Joint Select Committee on Deficit Reduction (Oct. 2011)	$23 billion [10 years]	Specific proposal not released, but a draft indicates a plan could eliminate direct payments, develop a new farm safety net with crop insurance, and make changes to conservation, nutrition, and other farm bill programs. Reported savings included:	
		Farm commodity programs (net)	-$13 billion
		Conservation programs	-$6 billion
		Nutrition programs	-$4 billion

Proposal	Total Farm Bill Reduction	Detailed Provisions	Individual Savings (-) or Costs (+)
7. House Budget Resolution for FY2013 (H.Con.Res. 112, Mar. 2012)	$179 billion [2013-2022]	Budget resolution (recommendations):	
		Reduce direct payments, crop insurance subsidies, and export assistance programs.	-$29 billion
		Convert SNAP into an allotment tailored for each state.	-$134 billion
		Unspecified remainder, likely in conservation programs	-$16 billion
	$33.2 billion [2013-2022]	Reconciliation instructions, by April 27, 2012:	
		By April 27, 2012, the Agriculture committee must recommend to the Budget committee specific cuts for a $33.2 billion reduction over FY2012-2022; $8.2 billion over FY2012-2013; and $19.7 billion over FY2012-2017.	-$33.2 billion

Source: CRS, compiled from the following documents:
(1) Bipartisan Policy Center, "Restoring America's Future," Nov. 2010, pp. 106-110 , at http://www.bipartisanpolicy.org/sites/default/files/BPC%20FINAL%20REPORT%20FOR%20PRINTER%2002%2028%2011.pdf;
(2) National Commission on Fiscal Responsibility and Reform, "The Moment of Truth," Dec. 2010, p. 45, at http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf;
(3) H.Rept. 112-58 (for H.Con.Res. 34, the FY2012 Budget Resolution), Apr. 2011, pp. 76, 108, and 152;
(4) Gang of Six, "A Bipartisan Plan to Reduce Our Nation's Deficits," July 2011, p. 3, at http://warner.senate.gov/public//index.cfm?p=gang-of-six http://assets.nationaljournal.com/pdf/071911ConradBudgetExecutiveSummary.pdf;
(5) The White House, "Living Within Our Means and Investing in the Future: The President's Plan for Economic Growth and Deficit Reduction," Sept. 2011, available at http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/jointcommitteereport.pdf; and USDA FY2013 Budget Summary, Feb. 2012, pp. 124-126, at http://www.obpa.usda.gov/budsum/FY13budsum.pdf;
(6) House and Senate Agriculture Committees, letter to Joint Select Committee on Deficit Reduction, Oct. 2011, at http://agriculture.house.gov/pdf/letters/jointletter111017.pdf; and press coverage of draft at http://www.iatp.org/files/Ag%20Committees%20Bicameral%20Agreement%20Draft%202011%20Super%20Committee.pdf; and Hagstrom Report, "Conrad: Farm Bill Content Now Moving Target," Nov. 8, 2011, at http://www.hagstromreport.com/news_files/110811_farmbill.html.
(7) H.Rept. 112-421(for H.Con.Res. 112, the FY2013 Budget Resolution), Mar. 2012, pp. 67-68, 100, 135, 159; and House Committee on Agriculture (minority), "FY2013 Budget-Implications for Agriculture," March 28, 2012, at http://democrats.agriculture.house.gov/inside/Pubs/FY2013%20Republican%20Budget%20Implications%20for%20Agriculture.pdf.

Budget Sequestration

Sequestration is a process of automatic, largely across-the-board spending reductions under which budgetary resources are permanently canceled to enforce budget goals specified in statute. It was first authorized by the Balanced Budget and Emergency Deficit Control Act of 1985 (Title II of P.L. 99-177, commonly known as the Gramm-Rudman-Hollings Act). Sequestration is important currently because it was included as an enforcement mechanism in the Budget Control Act of 2011 (BCA; P.L. 112-25).[21]

Given the failure of the Joint Select Committee on Deficit Reduction to enact budget reductions by January 2012, budget sequestration is due in 2013 under Section 302 of the BCA unless Congress changes the course of the law.[22] Moreover, in the absence of agriculture-specific

[21] CRS Report R42050, *Budget "Sequestration" and Selected Program Exemptions and Special Rules*.

[22] CRS Report R41965, *The Budget Control Act of 2011*.

changes to the contrary, sequestration possibly also could affect future farm bill baselines, even if a farm bill is enacted in 2012 with budget reductions.

The budget sequestration process under the BCA would reduce the baseline for farm bill programs by an across-the-board cut. However, certain farm bill programs, such as the nutrition programs and the Conservation Reserve Program, are statutorily exempt from sequestration.[23] Other programs, including prior obligations in crop insurance and marketing loan contracts,[24] may be exempt; however, CBO does not determine the official sequestration amount nor the scope of programs included. Those decisions rest with the Office of Management and Budget's (OMB's) interpretation of the BCA and statutes, and are still forthcoming.

No official program-level estimate of sequestration has been released, but many believe sequestration of mandatory farm bill programs may total about $16 billion over 10 years,[25] plus or minus, depending on various assumptions about baselines and the outcome of OMB decisions. This is consistent with CBO estimates of nearly 8% sequestration on nondefense mandatory programs[26] on roughly $200 billion of nonexempt agriculture baseline.

If sequestration occurs, it also could affect discretionary appropriations. Discretionary agricultural spending has fallen in recent years,[27] and sequestration could further reduce funding opportunities for discretionary programs in the farm bill.

Other Budget Issues

The budget picture is further clouded by other factors. While some programs (like most farm commodity programs and nutrition assistance) have assumed future funding, other programs (mostly newer ones) do not. Thirty-seven programs that received mandatory funding throughout nearly all titles of the 2008 farm bill do not continue to have assured funding for the next farm bill.[28] Just two of the provisions—the agricultural disaster assistance program and the Wetlands Reserve Program—account for about 80% of the value of programs without future baseline. Continuing these programs could require an estimated $9 billion to $14 billion of offsets from other programs. If Congress desires to continue some of these programs, finding the offsets needed could be doubly difficult during a simultaneous baseline contraction from sequestration or deficit reduction. Also, new pay-as-you-go budget rules enacted in 2010 (P.L. 111-139) restrict some of the budget-related maneuvers that were used in past farm bills to offset new spending.[29]

[23] 2 U.S.C. 905 (g)(1)(A).

[24] 2 U.S.C. 906 (j).

[25] "Senator Stabenow Outlines Next Steps for Farm Bill," *Agri-Pulse*, November 30, 2011, at http://www.agri-pulse.com/Stabenow_outlines_next_steps_Farm_Bill_11302011.asp.

[26] CBO, "Estimated Impact of Automatic Budget Enforcement Procedures Specified in the Budget Control Act," September 12, 2011, at http://www.cbo.gov/ftpdocs/124xx/doc12414/09-12-BudgetControlAct.pdf.

[27] Discretionary agriculture appropriation decreased by 14% in FY2011 and another 2% in FY2012. See CRS Report R41964, *Agriculture and Related Agencies: FY2012 Appropriations*.

[28] CRS Report R41433, *Expiring Farm Bill Programs Without a Budget Baseline*.

[29] For example, timing shifts are no longer allowed to be counted as savings or revenue (that is, shifting the timing of existing program payments by delaying an outlay beyond the budget window or accelerating a receipt into the budget window). P.L. 111-139, §4 (b)(1)(A); 2 U.S.C. 639 (a)(3)(C).

Consequently, even a "simple" extension of the 2008 farm bill may be challenging given the current budgetary pressures.[30] The desire by many to redesign farm policy and reallocate the remaining farm bill baseline—in a sequestration and deficit reduction environment—is driving much of the farm bill debate this year. Political dynamics regarding sequestration and broader deficit reduction goals leave open difficult questions about how much and when the farm bill baseline may be reduced. In an era of deficit reduction, Congress faces difficult choices about how much total support to provide for agriculture, and how to allocate that support among competing constituencies.

Author Contact Information

Jim Monke
Specialist in Agricultural Policy
jmonke@crs.loc.gov, 7-9664

[30] CRS Report R42442, *Possible Extension or Expiration of the 2008 Farm Bill*.