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Reductions in Mandatory Agriculture Program Spending

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Summary

Many agricultural programs receive mandatory funding through the U.S. Department of Agriculture's Commodity Credit Corporation (CCC). Mandatory funding is made available by multiyear authorizing legislation and does not require annual appropriations or subsequent action by Congress. However, mandatory funding can be reduced in the appropriations process or by the authorizing committees themselves. In contrast to mandatory funding, discretionary funding is made available by annual appropriations acts on a year-by-year basis through a different process originating in the appropriations committees.

While mandatory spending in agriculture historically was reserved for the farm commodity programs, the authorizing Agriculture Committees have expanded its use to conservation, rural development, and energy programs in the recent farm bills passed by Congress. Mandatory spending creates funding stability and consistency compared to that of the appropriations process. Some argue, however, that this use of mandatory spending has moved beyond the statutory purpose of the CCC. This has created tension between authorizers and appropriators, leading to actions by appropriators that are called "changes in mandatory program spending" (CHIMPS). CHIMPS usually reduce or block mandatory outlays, but sometimes appropriators replace some of the blocked funding with discretionary appropriations. Nonetheless, CHIMPS generate savings that appropriators can use to offset increases in discretionary spending.

Between FY2003 and FY2010, CHIMPS by appropriators to mandatory agricultural programs have totaled $7.5 billion. CHIMPS to eight conservation programs are among the most notable, accounting for $3 billion of this total. Among individual programs, the Environmental Quality Incentives Program (EQIP) has the highest multiyear total of CHIMPS, at $1.2 billion.

Authorizing committees also have reduced mandatory program spending to generate savings after a farm bill has been enacted. The reason may be to offset spending increases for other programs within their jurisdiction or to comply with budget reconciliation directives.

Notable among changes to authorizing laws (not CHIMPS), the Conservation Security Program was reduced in FY2003 and again in FY2005 to offset agricultural disaster assistance ($3.1 billion and $2.9 billion, respectively). Authorizers also received credit for $2.7 billion in budget reconciliation savings (over five years) across 12 programs in 2005, many of which had been reduced by appropriators in prior years through CHIMPS.

More recently, the Senate Agriculture Committee's current funding plan for the Healthy, Hunger-Free Kids Act of 2010 (S. 3307) proposes to use $2.2 billion of reductions from EQIP over 10 years to offset the cost of increases for child nutrition. A proposed alternative to use an offset from the Conservation Stewardship Program (CSP) would have similar budgetary effects, and would likewise affect a mandatory program.

The Administration also can take actions that reduce mandatory outlays. In renegotiating the Standard Reinsurance Agreement for the crop insurance program, the Administration has proposed changes that would reduce the baseline available for crop insurance by about $7-8 billion over 10 years. This has raised a debate over whether such reductions should wait so that Congress can get credit for any reduction, especially for future farm bills or possible budget reconciliation.

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Background on Mandatory Program Funding

Federal government programs can be funded with two different types of spending: discretionary and mandatory.

- Discretionary spending is provided and controlled through annual appropriations acts. Discretionary programs include the operations of running executive branch agencies (e.g., federal wages and salaries) and can also include certain loans, grants, and other subsidy programs.
- Mandatory spending generally is controlled by laws other than appropriations acts. It includes spending on entitlement programs such as Social Security, and other outlays such as the farm commodity programs. Congress sets eligibility requirements and benefit formulas for mandatory programs. If recipients meet eligibility requirements, outlays are made automatically.[1]

Mandatory programs can be thought of as a multiyear appropriation in authorizing legislation (e.g., a farm bill). In the context of agriculture, mandatory spending programs can have (1) a payment formula (e.g., $1.95 per bushel minus the market price of corn, multiplied by the bushels produced on farm) or qualification criteria with no specified limit, (2) a statutorily authorized level of funding (e.g, $1.2 billion available for a conservation program during a fiscal year), or (3) an acreage allotment (e.g., enroll up to 250,000 acres nationally). Mandatory funds from the authorizing law are assumed to be available unless they are expressly reduced to smaller amounts by a subsequent act of Congress in the appropriations process or by the authorizing committees.

The 2008 farm bill (the Food, Conservation, and Energy Act of 2008, P.L. 110-246) authorizes spending on many mandatory agricultural, conservation, nutrition, and bioenergy programs. Farm bills are viewed by many Members and most in the agricultural community—including farmers and bankers—as a "contract." They do not want the farm bill to be reopened before it expires, or funding reduced below "promised" levels by intervening laws or appropriations.

The mandatory budget projection of the farm bill when it was enacted was $604 billion over 10 years.[2] Two-thirds of this amount ($406 billion) was for domestic nutrition assistance (e.g., food stamps); this mandatory budget category is outside the scope of this report. Most of the rest, about $147 billion over 10 years, is funded through the Commodity Credit Corporation (CCC) in the U.S. Department of Agriculture (USDA). The remaining mandatory outlays in the 2008 farm bill are from the Federal Crop Insurance Corporation ($47 billion over 10 years) and the Agricultural Disaster Relief Trust Fund ($4 billion over 10 years).

The CCC perhaps is best known as the funding mechanism for the mandatory farm commodity program payments that farmers receive from the USDA Farm Service Agency (FSA), and some of the conservation payments from the Natural Resources Conservation Service (NRCS) and FSA. The CCC also is or has been the funding source for a relatively small subset of USDA programs for foreign trade, bioenergy, rural development, agricultural research, and other programs. In the 2008 farm bill, the 10-year projection for mandatory budget outlays was $86

[1] For more background on federal budget issues, see CRS Report 98-721, *Introduction to the Federal Budget Process*, by Robert Keith, CRS Report RL33074, *Mandatory Spending Since 1962*, by D. Andrew Austin and Mindy R. Levit, and CRS Report RL34424, *Trends in Discretionary Spending*, by D. Andrew Austin and Mindy R. Levit.

[2] See CRS Report R41195, *Actual Farm Bill Spending and Cost Estimates*, by Jim Monke and Renée Johnson.

billion for the farm commodity programs, $55 billion for conservation, $4 billion for trade, $0.9 billion for bioenergy, $0.9 billion for horticulture/organic agriculture, $0.4 billion for research, and $0.2 billion for rural development. These are large pools of mandatory funding from which many programs are authorized to operate.

The CCC is a permanently authorized, wholly owned government corporation that has the legal authority to borrow up to $30 billion at any one time from the U.S. Treasury (15 U.S.C. 714 et seq.). In many ways, it operates like a revolving line of credit that allows USDA to make program payments when they are needed, separate from appropriations. The CCC (1) borrows from the Treasury in advance of appropriations; (2) makes payments to recipients in the farm commodity and other programs according to formulas written into authorizing legislation; and (3) later repays the Treasury for the funds it borrows with appropriations from the annual Agriculture appropriations law. This appropriation usually is an indefinite "such sums as necessary" appropriation that may be more or less than the CCC's most recent year's outlays, but it nonetheless restores a level of borrowing authority.[3]

Historically, mandatory agricultural funding was reserved for the farm commodity programs that began in the 1930s. Because payments from these programs are tied to commodity prices, which are highly variable and difficult to predict or budget, the CCC was created to remove unpredictable funding issues from the annual appropriations process.

The concept of funding other agricultural programs with mandatory spending has expanded in recent years to include some conservation, rural development, research, and bioenergy programs. This expansion has generated both concern and support. Some consider this expansion to be beyond the chartered purpose of the CCC, while others prefer the stability and consistency of mandatory funding to that of the appropriations process.

Although Congress as a whole makes final funding decisions, the rise in the number of agricultural programs with mandatory budget authority from the authorizing committees has not gone unnoticed or untouched by appropriators. In recent years, appropriations bills have reduced mandatory program spending below authorized levels. These reductions, estimated by the Congressional Budget Office (CBO), are commonly referred to as "changes in mandatory program spending" (CHIMPS). CHIMPS can offset increases in discretionary spending that are above discretionary budget caps.

Similarly, authorizing committees also have reduced mandatory spending levels that initially were enacted. Authorizers may make such reductions for two reasons. First, they reduce programs to offset spending increases for other mandatory programs within their jurisdiction (new authorizing laws that require pay-as-you-go budget rules).[4] Second, they reduce programs to get credit for budget reconciliation (savings that are required when a budget resolution adopted by Congress forces many authorizing committees to reduce program spending to address budget deficits).[5]

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[3] For example, suppose CCC starts a hypothetical fiscal year with $24 billion of unused borrowing authority out of its $30 billion line of credit. During the year, it makes payments to farmers (outlays) totaling $15 billion, drawing down its unused borrowing authority to $9 billion ($24 billion – $15 billion). Suppose appropriators provide $18 billion of mandatory appropriations to CCC to repay the Treasury. Then CCC's borrowing authority at the end of the year would be $27 billion ($9 billion + $18 billion).

[4] For more on pay-as-you-go (PAYGO) budget rules, see CRS Report RL34300, *Pay-As-You-Go Procedures for Budget Enforcement*, by Robert Keith.

[5] For more on budget reconciliation, see CRS Report RL33030, *The Budget Reconciliation Process: House and Senate* (continued...)

Tension Between Authorizers and Appropriators

The U.S. Constitution grants the power over appropriations (the power of the purse) to Congress. House and Senate rules create a division of labor through the procedural separation between authorizations and appropriations. Legislative committees (such as, for agriculture, the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition, and Forestry) are responsible for authorizing legislation. Appropriations committees (such as the House and Senate Appropriations Subcommittees on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies) are responsible for annual appropriations. Procedural rules generally prohibit encroachment on committee responsibilities. However, as discussed above, multiyear appropriations for mandatory programs are provided in one step by authorizing legislation, and this bypasses the two-step authorization-appropriation process.[6]

The current tension over which committee is responsible for bringing final budget recommendations to the floor for certain agricultural programs—appropriators or authorizers—has roots dating to the 1930s and the creation of the farm commodity programs. Some of the farm commodity subsidies that are required by a farm bill are volatile and therefore difficult to budget because they depend upon both future market prices and yields. These payments resemble entitlements,[7] and any appropriation that would be set in advance would likely be too little or too much. Thus a mandatory funding source—the Commodity Credit Corporation (CCC)—was created to remove an unpredictable funding issue from the annual appropriations process.

This separation operated for many decades with little tension. But the dynamic changed, particularly in the late 1990s and in the 2002 farm bill, when authorizers began writing laws using mandatory funds for types of programs that typically were discretionary (for example, conservation programs to rehabilitate small watersheds and dams, rural development programs to improve small business opportunities, or agricultural research programs to fund university-based research). This created a sometimes more complicated and bifurcated process of establishing budget authority for certain agricultural programs. Tension arose over who should make final funding decisions for these activities that were typically discretionary. Should authorizers use multiyear mandatory funding that is set in permanent law outside the appropriations process? Or should appropriators determine funding on an annual basis in appropriations acts? The following specific questions have been raised:

- Appropriators ask whether creation of the CCC in the 1930s for the hard-to-predict farm commodity programs justifies modern mandatory spending on programs that are not highly variable and typically are considered discretionary.[8]

(...continued)

Procedures, by Robert Keith and Bill Heniff Jr.

[6] The formal process of authorization and appropriations consists of two sequential steps: (1) enactment of an authorization measure that may create or continue a program as well as authorize the subsequent enactment of appropriations; and (2) enactment of appropriations to provide funds for the authorized agency or program. See CRS Report RS20371, *Overview of the Authorization-Appropriations Process*, by Bill Heniff Jr.

[7] Entitlements are programs that require payments if specific eligibility criteria in an authorizing law are met. This form of mandatory spending is not controlled through the annual appropriations process. The total amount of entitlement spending is determined by the aggregate total of all individual benefits, and in most cases is not capped (CRS Report RS20129, *Entitlements and Appropriated Entitlements in the Federal Budget Process*, by Bill Heniff Jr.).

[8] Summarized from Galen Fountain, Majority Clerk of the Senate Agriculture Appropriations Subcommittee, "Funding Rural Development Programs: Past, Present, and Future," p. 4, at the 2009 USDA Agricultural Outlook Forum, (continued...)

Given the use of CHIMPS in recent Agriculture appropriations bills, appropriators apparently believe that such mandatory spending is not always appropriate.

- The authorizing committees contend that appropriators in recent years have not funded the Agriculture Committees' priorities as much as authorizers had desired. Authorizers therefore maintain that they are justified to write legislation using the mandatory funding at their discretion.
- In a broader context, suppose that an appropriations subcommittee knows the amount of appropriations needed for a desired level of activity. With enough foresight about the use of CHIMPS, those goals could be met with a smaller discretionary spending allocation (the "302(b)" allocation) than the desired level. Some may suggest that a lower discretionary allocation to one subcommittee (assuming there will be CHIMPS) potentially allows other subcommittees to receive a higher allocation.

Ultimately, Congress as a whole—not individual committees—makes the final funding decisions when it enacts laws and appropriations. Congress may fund programs both in authorizing laws and in appropriations acts. Some say that tension among committees, interest groups, and political parties is part of the process by which Congress enacts laws and appropriations.

In general, the production agriculture community has not raised strong opposition to most of the recently enacted reductions in mandatory programs because the farm commodity programs have not been targeted. Nonetheless, they are not supportive of any reductions that increase funding for nonagricultural programs. Conversely, environmental and conservation supporters have been more vocal and expressed significant concern over the reductions—by both authorizers and appropriators—because many cuts have targeted conservation programs. These groups argue that when authorizers reduce conservation funding they undercut many of the programs that generated political support for the farm bill's initial passage.[9] They also argue that cuts by appropriators circumvent commitments made in the farm bill by the authorizers.

Places and Ways to Reduce Mandatory Funding

The 2002 and 2008 farm bills (P.L. 107-171 and P.L. 110-246, respectively) used mandatory funding from the CCC to support an increasing number of conservation, rural development, and other programs. The funding levels for these mandatory programs do not need to be determined in the annual appropriations process, since the authorizing committees set the eligibility rules, payment formulas, and/or mandatory funding levels in authorizing legislation. Funding for mandatory programs is thus available based on the authorization without appropriations action.

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February 22, 2009, at http://www.usda.gov/oce/forum/2009_Speeches/Speeches/Fountain.pdf.

[9] American Farmland Trust, "We Need Healthy Farms and Healthy Food—AFT Says, Cuts Unfairly Pit One Against the Other," press release, March 26, 2010, http://www.farmland.org/news/pressreleases/We-Need-Healthy-Farms-and-Healthy-Food-American-Farmland-Trust.asp.

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Appropriations Laws

In reaction to this growing use of mandatory funding, some appropriations bills have reduced or stopped funding for these newly mandatory programs, and used the savings to allow higher spending for certain discretionary programs. These CHIMPS have not affected the farm commodity programs or the nutrition assistance programs such as food stamps, both of which are customarily accepted by appropriators to be mandatory programs.

When appropriators limit mandatory spending, they usually do not change the authorizing law. Their action has the same effect as changing the law, but only for the one year to which the appropriation applies. Appropriators put limits on mandatory programs by using language such as: "None of the funds appropriated or otherwise made available by this or any other Act shall be used to pay the salaries and expenses of personnel to carry out section [...] of Public Law [...] in excess of $[...]."

Table 1 lists the CHIMPS in agricultural programs that Congress has enacted since FY2003 in appropriations acts. The practice peaked in FY2006, and subsequent changes have been smaller. The CHIMPS in **Table 1** total $7.5 billion over the eight years from FY2003 through FY2010. Much of that amount is from the two years FY2005 and FY2006, when CHIMPS were more than double the amounts in other recent years. CHIMPS in eight conservation programs are among the most notable, accounting for $3 billion of the $7.5 billion total over eight years. Among individual programs, the Environmental Quality Incentives Program (EQIP) has the highest multiyear total, $1.2 billion over eight years.[10]

Authorizing Legislation

In addition to the CHIMPS that appropriators place in regular annual appropriations bills, authorizing committees sometimes reduce mandatory program authorizations to create offsets for new spending on other agricultural purposes, such as disaster assistance or child nutrition. When authorizers reduce mandatory spending, they change the authorizing law (e.g., the farm bill) directly.

Table 2 lists the reductions to mandatory programs that Congress has enacted since 2003—not as part of a farm bill, but via budget reconciliation and other required offsets. The Conservation Security Program was reduced by $3.1 billion in FY2003 and $2.9 billion in FY2005 to create offsets for agricultural disaster assistance (each were 10-year reductions). In the 109th Congress, the Agriculture Committees were compelled to find savings for budget reconciliation.[11] In that reconciliation, authorizers cut $2.7 billion of mandatory funding over five years, from many of the same conservation, rural development, and research programs that had been the subject of CHIMPS in prior years.[12] In doing so, the authorizing committees captured the savings for reconciliation, preempting similar action in future appropriations acts.

[10] For this comparison, we exclude certain "other" CHIMPS that are rescissions of unobligated balances or otherwise qualitatively different than what are more easily seen as limitations of future budget authority. Our focus is on the core conservation, rural development, research, specialty crops, or trade programs.

[11] See H.Con.Res. 95, Sec. 201 for House directives and Sec. 202 for Senate directives.

[12] For more background, see CRS Report RS22086, *Agriculture and FY2006 Budget Reconciliation*, by Ralph M. Chite.

Table 1. Changes in Mandatory Program Spending (CHIMPS) by Appropriators in Enacted Regular Annual Agriculture Appropriations Bills, FY2003-FY2010

(millions of dollars, one-year difference between appropriations-allowed amount and farm bill-authorized amount)

Program	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	Total FY2003-FY2010
Conservation									
Environmental Quality Incentives Program	-5	-25	-183	-183	-253	0[a]	-270	-270	**-1,189**
Dam Rehabilitation Program[b]	-45	-95	-150	-210	-65	-65	-165	-165	**-960**
Wetlands Reserve Program	-5	-69	-69	-82	-82	0	0	0	**-307**
Conservation Security Program[c]	0	-12	-80	-71	-115	0	X	X	**-278**
Wildlife Habitat Incentive Program	0	-18	-38	-42	-42	0	0	0	**-140**
Farmland Protection Program	0	-13	-13	-27	-24	0	0	0	**-77**
Ground and Surface Water Program	0	-9	-9	-9	-9	0	X	X	**-36**
Ag. Management Assistance Program	0	0	0	-14	-14	0	0	0	**-28**
Rural Development and Bio-energy									
Rural Strategic Investment Program	-100	-100	-100	-100	X	X	X	X	**-400**
Rural Business Investment Program	0	-80	-86	-89	X	X	X	X	**-255**
Value-Added Product Market Dev. Grants[b]	0	-40	-80	-120	0	0	0	0	**-240**
Enhanced Rural Access to Broadband	0	-20	-40	-80	X	X	X	X	**-140**
Rural Firefighters	-10	-20	-30	-40	X	X	X	X	**-100**
Bioenergy Program	-15	0	-50	-90	X	0	0	0	**-155**
Renewable Energy Systems[b]	0	-23	-23	-23	-3	X	X	X	**-72**
Biomass R&D	0	0	0	-2	-2	0	0	0	**-4**
Research									
Initiative for Future Ag. & Food Systems	-120	-120	-260	-300	X	X	X	X	**-800**
Specialty Crops									
Fruit and vegetable program in schools	X	X	X	X	X	X	-49[d]	-76[d]	**-125**

Program	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	Total FY2003-FY2010
Trade									
Export Enhancement Program	-450	X[e]	X[e]	X[e]	X[e]	X	X	X	**-450**
Other									
Section 32 rescissions, etc.	0	0	-163	-18	-38	-674	-346	-52	**-1,291**
Food and Nutrition Service activities	0	+2	-10	+7	-11	-9	0	-156	**-177**
Rural Development rescissions, etc.	0	-3	-85	-173	0	-34	-20	-44	**-359**
Other miscellaneous	0	+15	+31	0	0	0	0	0	**+47**
Total CHIMPS	**-750**	**-630**	**-1,438**	**-1,666**	**-658**	**-782**	**-850**	**-762**	**-7,535**

Source: Compiled by CRS, using unpublished CBO tables of CHIMPS, Appropriations Committee tables, and USDA documents.

Notes: "X" indicates that the program's authority expired or mandatory funding is no longer available. A negative value indicates a reduction, and the size of the change. This list includes only programs that were affected by CHIMPS; other mandatory programs that were not affected by CHIMPS are not in the list.

a. The FY2008 appropriations act (P.L. 110-161) limited EQIP, but the 2008 farm bill (P.L. 110-246) was enacted later and superseded the appropriation reduction. The 2008 farm bill restored and increased EQIP funding.

b. Despite the limit on mandatory funds, some funding for the program was appropriated with discretionary funds.

c. In addition to the limitations in enacted regular appropriations bills listed in this table, the Conservation Security Program was used to offset agricultural disaster programs in FY2003 and FY2005. The FY2003 offset was about $3.1 billion (P.L. 108-7, Div. N, Sec. 216), and the FY2005 offset was about $2.9 billion (P.L. 108-324, Div. B, Sec. 101(e)). See CRS Report RL31095, *Emergency Funding for Agriculture: A Brief History of Supplemental Appropriations, FY1989-FY2009*.

d. The appropriations act delays funding from July until October of the calendar year. This effectively allocates the farm bill's authorization by fiscal year rather than school year—with no reduction in overall support—and results in savings being scored by appropriators.

e. The 2002 farm bill provided mandatory budget authority to the Export Enhancement Program through FY2007, but the CBO baseline was reduced to zero beginning in FY2004 because the program was not being used.

Table 2. Reductions to Authorizing Laws for Mandatory Agricultural Programs, FY2003-FY2010

(millions of dollars, reduction in budget authority from farm bill-authorized amount)

	Type of act	Disaster assistance	Annual appropriation	Disaster assistance	Budget reconciliation
	Public Law	**P.L. 108-7**	**P.L. 108-199**	**P.L. 108-324**	**P.L. 109-171**
	Date enacted	**2/20/03**	**1/23/04**	**10/13/04**	**2/8/06**
Program	**Scoring period**	**10-yr. score**	**n/a**	**10-yr. score**	**5-yr. score**
Conservation Security Program		-3,100	+3,100	-2,860	-649
Environmental Quality Incentives Program					-75
Dam Rehabilitation Program					-210
Renewable Energy & Energy Efficiency Program					-20
Value-added Market Development Grants					-120
Rural Business Strategic Investment Grants					-100
Rural Business Investment Program					-89
Rural Firefighters Grants					-50
Enhanced Access to Broadband Grants					-40
Initiative for Future Agr. & Food Systems					-620
Reduce advanced direct payments					-1,452
Cotton "Step 2" program					-282
Extend MILC program					+998
Subtotal		**-3,100**	**+3,100**	**-2,860**	**-2,709**

Source: Compiled by CRS, using P.L. 107-171, P.L. 108-7, P.L. 108-199, P.L. 108-324, P.L. 109-171, and various Congressional Budget Office (CBO) baselines and cost estimates.

Notes: List only includes mandatory programs that were reduced.

More recently, a funding proposal for the Senate Agriculture Committee's Healthy, Hunger-Free Kids Act of 2010 (S. 3307) proposes to reduce EQIP by $2.2 billion over 10 years to offset the cost of increases to the child nutrition program. Some of the support for this action rests on recognition that appropriators have already been limiting EQIP (this is discussed further in the example, "A Reduction by Authorizers: Proposed EQIP Offset for Nutrition").

Administrative Action

The Administration also can take actions that reduce mandatory outlays, and these actions may affect the budget baseline. For example, USDA's negotiation with crop insurance companies over the Standard Reinsurance Agreement (SRA) proposes to reduce some payments, something USDA can do administratively within the scope of the authorizing legislation. Budgetary savings in the range of $6-$8 billion over 10 years were proposed initially. How these cuts are achieved—whether administratively through the SRA or legislatively through congressional action—has been a topic of debate. This is discussed later near the end of the section on "Budget Scorekeeping and Baseline Issues."

Budget Scorekeeping and Baseline Issues

The baseline for a government program is a projection at a particular point in time of what the multiyear federal spending (budget authority or outlays) would be under current law if no policy changes were made. The baseline serves as a benchmark or starting point for future budget analyses. Whenever new provisions (such as in a farm bill, or CHIMPS in an appropriations bill) are introduced that affect federal mandatory spending, their impact (or "score") is measured as a difference from the baseline. Any increase in costs above the baseline level may be subject to certain budget constraints (such as pay-go). The process of scorekeeping and estimating baselines is done in Congress by the Congressional Budget Office (CBO), acting under the supervision of the House and Senate Budget Committees.[13]

The method or impact of calculating the budgetary savings from reducing mandatory programs can sometimes raise questions. For example, how much credit can or should appropriators get for limiting a program by using CHIMPS? What does a reduction by authorizers (or the Administration) do to the baseline level of funding that is available for a program?

When mandatory funds are made available for only one fiscal year, the scorekeeping from a reduction is straightforward. The savings are equal to the limit placed on the program in relation to the full funding level in the authorizing act.

Other mandatory funding is made available using "no year" money; that is, the mandatory funding is "to remain available until expended" (the funding is not limited to a single fiscal year). When appropriators block this type of mandatory funding in one year by using CHIMPS, they typically are not cancelling the authority to obligate funds in future years; therefore the funding is still available and could be used in a future fiscal year. Under CBO scoring procedures, appropriations acts in successive years can get credit for limiting the same pool of funding so long as the underlying "no year" funding authority remains available. Thus, what some might call an overstatement of budget savings can occur. For example, suppose a program has a $50 million mandatory authorization to remain available until expended. It can be blocked by $50 million in CHIMPS in one year and another $50 million in CHIMPS the following year. Over two years, $100 million in CHIMPS could be credited from this $50 million program. The next section has a specific example, "CHIMPS by Appropriators: The Dam Rehabilitation Program."

The method of calculating budgetary savings when authorizers make the reduction is somewhat more straightforward since it is a direct change in the authorizing law. However, because the authorizing law is changed, a reduction affects the budget for future legislation (such as a future farm bill) by reducing the budget baseline.

As with many legislative developments, a farm bill debate is influenced by budgetary constraints imposed by Congress. The baseline establishes how much money authorizers have available to spend on a bill without having to seek offsets elsewhere. The calculation of a baseline assumes a continuation of current policies under expected economic conditions. Therefore, any reduction in existing program funding affects the baseline estimates for future years.[14]

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[13] For more background on scorekeeping and baselines, see CRS Report 98-560, *Baselines and Scorekeeping in the Federal Budget Process*, by Bill Heniff Jr.

[14] For more background on farm bill baselines, see CRS Report R41195, *Actual Farm Bill Spending and Cost* (continued...)

As a mandatory program's budget authority is reduced, savings are generated by the difference between the previous authority and the new level. This reduction is usually not annual, like CHIMPS, but rather long-term (a 5- or 10-year budget window). It therefore affects the program's overall baseline. For example, if an authorizing act provides (or CBO estimates that a program will cost) $100 million each year for a 5-year farm bill, then the baseline for the program is $100 million each year. This baseline may likely extend beyond the life of the farm bill for an entire 10-year budget window.[15] If the authorization for the program is reduced to $85 million each year, then the baseline is reduced by $15 million each year to $85 million (and the sum across a 10-year budget window from the $15 million/year reductions could result in $150 million of budget savings).

In addition to Congress taking action to reduce spending, the Administration sometimes can make changes that reduce mandatory outlays and these actions may affect the baseline. For example, USDA periodically negotiates a Standard Reinsurance Agreement (SRA) with the private insurance companies participating in the federal crop insurance program. The current SRA negotiation proposes to reduce various payments to crop insurance companies for delivering the program to farmers, something USDA can do administratively within the scope of the authorizing legislation.[16] Generally speaking, there is some support or at least recognition that a reduction in crop insurance delivery costs is needed. Budgetary savings in the range of $6-$8 billion over 10 years initially were proposed. How such cuts are achieved—whether administratively through the SRA or legislatively through congressional action—has been a topic of debate.

Given the possibility of budget reconciliation in the next few years because of federal deficits, and the upcoming debate for a 2012 farm bill, leaders in the agriculture community do not want USDA to make such changes administratively because Congress would not get credit for the reduction.[17] They would prefer to preserve the baseline and let Congress make any cuts. If action waits until a future farm bill, the Agriculture Committees could make similar reductions in crop insurance and be able to use the savings to offset other programs elsewhere in the farm bill—funds that would not be available if USDA makes cuts administratively. Alternatively, if budget reconciliation is used in the foreseeable future, these types of reductions to crop insurance might be one of the first choices to reduce outlays to help meet reconciliation targets, before reducing spending on other commodity or conservation programs.

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Estimates, by Jim Monke and Renée Johnson.

[15] 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 after that date are not automatically assumed to continue, and are assessed program by program in consultation with the House and Senate Budget Committees. Although this rule expired in September 2006, CBO continues to prepare baselines following this methodology (CBO, *The Budget and Economic Outlook: Fiscal Years 2010 to 2020*, pp. 10, 63, and 144, at http://www.cbo.gov/ftpdocs/108xx/doc10871/01-26-Outlook.pdf).

[16] For more background, see CRS Report R40966, *Renegotiation of the Standard Reinsurance Agreement (SRA) for Federal Crop Insurance*, by Dennis A. Shields.

[17] For example, "Lincoln, Chambliss Continue to Urge USDA to Revisit Crop Insurance Changes," Senate Agriculture Committee press release, March 29, 2010, at http://216.40.253.202/~usscanf/index.php?option=com_content&task=view&id=2029&Itemid=97. See also letter to USDA from several farm commodity groups on April 9, 2010, at http://www.farmpolicy.com/wp-content/uploads/2010/04/budget-sra10.0312.pdf.

Examples of Mandatory Reductions

CHIMPS by Appropriators: The Dam Rehabilitation Program

The Small Watershed Rehabilitation Program (a.k.a. the Dam Rehabilitation Program) is an example of CHIMPS that illustrates the potential for what some argue is double counting. It also is one of the few CHIMPS remaining in FY2010 (the second row of **Table 1**). During two periods, FY2003-FY2006 and FY2007-FY2010 (i.e., before and after budget reconciliation in February 2006), it reveals two types of double counting. Although appropriators did provide some discretionary funds during these same periods, they did not replace the level of the mandatory reductions.

First, the 2002 farm bill authorized the Small Watershed Rehabilitation Program mandatory funding from the CCC as follows: $45 million in FY2003, $50 million in FY2004, $55 million in FY2005, $60 million in FY2006, and $65 million in FY2007—with each year's funds to remain available until expended.[18] Using CHIMPS to block mandatory spending in the program, appropriators were given credit for $45 million in savings in FY2003, $95 million in FY2004 ($45 million carryover from FY2003 plus $50 million from FY2004), $150 million in FY2005 ($95 million carryover from FY2003-04 plus $55 million from FY2005), and $210 million in FY2006 ($150 million carryover from FY2003-FY2005 plus $60 million in FY2006).[19] Thus, over four years, appropriators were given credit for a total of $500 million in savings from $210 million in mandatory authorizations, and used it to offset discretionary programs elsewhere in the annual Agriculture appropriations acts (see **Table 3**, part 1).

Next, to comply with budget reconciliation directives included in the FY2006 budget resolution (H.Con.Res. 95), which resulted in the Deficit Reduction Act of 2005 (P.L. 109-171), the Agriculture Committees cancelled the unobligated budget authority for the Dam Rehabilitation Program for FY2003-FY2006. They did, however, allow the $65 million for FY2007 to remain available until expended, as in the original 2002 farm bill.[20] In addition, the 2008 farm bill authorized an additional $100 million of mandatory funds in FY2009 to remain available until expended.[21]

[18] The 2002 farm bill authorized multiyear funding (P.L. 107-171, Sec. 2505): "of the funds of the Commodity Credit Corporation, the Secretary shall make available, to remain available until expended—(A) $45,000,000 for fiscal year 2003; (B) $50,000,000 for fiscal year 2004; (C) $55,000,000 for fiscal year 2005; (D) $60,000,000 for fiscal year 2006; (E) $65,000,000 for fiscal year 2007; and (F) $0 for fiscal year 2008."

[19] Consolidated Appropriations Resolution, 2003 (P.L. 108-7, Sec. 740); Consolidated Appropriations Act, 2004 (P.L. 108-199, Sec. 734); Consolidated Appropriations Act, 2005 (P.L. 108-447, Sec. 733); and Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2006 (P.L. 109-97, Sec. 729).

[20] The Deficit Reduction Act of 2005 (P.L. 109-171, Sec. 1201) cancelled cumulative FY2003-FY2006 authorizations. However, the $65 million authorized in the 2002 farm bill for FY2007 remained available. "The authority to obligate funds previously made available under section 14(h)(1) of the Watershed Protection and Flood Prevention Act (16 U.S.C. 1012(h)(1)) for a fiscal year and unobligated as of October 1, 2006, is hereby cancelled effective on that date."

[21] The 2008 farm bill authorized one-time funding (P.L. 110-246, Sec. 2803): "$100,000,000 for fiscal year 2009, to be available until expended."

Table 3. Changes in Mandatory Program Spending (CHIMPS) for the Dam Rehabilitation Program, FY2003-FY2010

(millions of dollars)

Part 1: 2002 farm bill until budget reconciliation in February 2006					
	FY2003	**FY2004**	**FY2005**	**FY2006**	**Total**
Unobligated prior year budget authority		45	95	150	
2002 farm bill authorization (to remain available until expended)	45	50	55	60	210
CHIMP in appropriations act	-45	-95	-150	-210	-500
Allowed budget authority	0	0	0	0	0
Part 2: After budget reconciliation, FY2007-FY2010					
	FY2007	**FY2008**	**FY2009**	**FY20010**	**Total**
Unobligated prior year budget authority		65	65	165	
2002 farm bill authorization (to remain available until expended)	65				65
2008 farm bill authorization (to remain available until expended)			100		100
CHIMP in appropriations act	-65	-65	-165	-165	-460
Allowed budget authority	0	0	0	0	0

Source: Compiled by CRS from Appropriations committee tables.

Notes: The 2002 farm bill (P.L. 107-171) provided the Small Watershed Rehabilitation Program (a.k.a. Dam Rehabilitation Program) with mandatory funds to remain available until expended. The Deficit Reduction Act of 2005 (P.L. 109-171) canceled unobligated budget authority from FY2003-FY2006 but left the 2002 farm bill's authority for FY2007 available. The 2008 farm bill (P.L. 110-246) provided $100 million of mandatory funds in FY2009, to remain available until expended. Despite the limit on mandatory funds, some funding for the program was appropriated with discretionary funds.

Continuing to use CHIMPS on the remaining and new amounts provided for the Dam Rehabilitation Program, appropriators were given credit for $65 million in savings in each of the FY2007 and FY2008 Agriculture appropriations bills, and $165 million in savings in each of the FY2009 and FY2010 bills (see **Table 3**, part 2).[22] Thus, in the four years from FY2007 through FY2010, appropriators were given credit for a total of $460 million in savings from $165 million in mandatory funds.

A Reduction by Authorizers: Proposed EQIP Offset for Nutrition

On March 24, 2010, the Senate Committee on Agriculture, Nutrition, and Forestry marked up the Healthy, Hunger-Free Kids Act of 2010 (S. 3307). The bill would reauthorize many of the USDA child nutrition programs and increase total funding by $4.5 billion over the next 10 years. To help offset the new spending, the bill includes a proposed reduction to the Environmental Quality Incentives Program (EQIP). Section 442 of the bill would reduce the mandatory budget authority for EQIP to $1.477 billion in FY2011 (currently at $1.588 billion in FY2011 under the 2008 farm

[22] Revised Continuing Appropriations Resolution, 2007 (P.L. 110-5, Sec. 104), which applied the same limitations for FY2007 as were in the FY2006 appropriation (P.L. 109-97, Sec. 729); Consolidated Appropriations Act, 2008 (P.L. 110-161, Sec. 721); Omnibus Appropriations Act, 2009 (P.L. 111-8, Sec. 719); and Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2010 (P.L. 111-80, Sec. 721(2)).

bill) and $1.477 billion in FY2012 (currently at $1.75 billion in FY2012 under the 2008 farm bill). Under the CBO baseline, this reduction yields an estimated savings of $2.2 billion over 10 years.[23]

Much of the concern during the Agriculture Committee markup of the child nutrition bill appeared to revolve around the proposed reduction of EQIP funding to offset the bill's increases for child nutrition. Supporters of the offset point to the reduction as a way for the authorizing committee to do what the appropriators have been doing for years and use the offsets elsewhere for their own purposes. Others counter that a reduction of EQIP's funding authority—while still allowing an increase over previously appropriated levels—will not make the program immune from further cuts by appropriators. Some also point to the impact that a reduction will have in determining baseline funding for future farm bill debates.

The popularity of EQIP and its backlog of unfunded applications have been cited as reasons not to reduce its funding authority but rather to look to other mandatory programs for possible offsets. An amendment by Senator Chambliss at the March 24, 2010, committee markup proposed to reduce authorized acres under the Conservation Stewardship Program (CSP) rather than EQIP. The amendment received support from both political parties; however, it failed to pass by a margin of one vote (10-11). Opponents of the amendment said that a reduction in CSP could reduce a future farm bill baseline more than the proposed reduction to EQIP. As this bill moves to the floor, additional debate on offset alternatives is expected.

Reductions by Both Authorizers and Appropriators: CSP

Some programs have been a source of reductions for both appropriators and authorizers. For example, the Conservation Security Program (CSP) was used by authorizers to offset two agricultural disaster assistance laws in 2003 and 2005,[24] and again in budget reconciliation in FY2005. During this same period, appropriators both restored the funding that authorizers used for the first disaster bill, and reduced CSP through CHIMPS in FY2004-FY2007.

First, CSP was created in the 2002 farm bill (P.L. 107-171, Sec. 2001). When enacted, it did not have a maximum enrollment limit or a cap on total funding. In March 2003, CBO's baseline projection for the cost of CSP was $6.9 billion over 10 years.

The Agricultural Assistance Act of 2003 (P.L. 108-7, Division N)—a disaster assistance bill for crop and livestock growers—placed a limitation on CSP enrollment; that is, a it placed a cap on CSP that had not existed. This limitation resulted in a $3.1 billion reduction in CSP's estimated outlays over a 10-year period, and provided $3.1 billion to offset the cost of disaster assistance.[25]

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[23] CBO, "Cost Estimate for the Healthy, Hunger-Free Kids Act of 2010 as Ordered Reported by the Senate Committee on Agriculture, Nutrition, and Forestry on March 24, 2010," pp. 3-4, at http://www.cbo.gov/ftpdocs/114xx/doc11451/HealthyHungerFreeKidsAct.pdf.

[24] In recent decades, agricultural disaster assistance usually has been declared emergency funding and has not needed to be offset. However, these examples are cases when mandatory programs have been used as offsets for such supplemental appropriations. See CRS Report RL31095, *Emergency Funding for Agriculture: A Brief History of Supplemental Appropriations, FY1989-FY2009*.

[25] At the time of the disaster bill, CBO's baseline projection for the cost of CSP was $6.9 billion over 10 years, although the program did not have a limit in statute. The limitation in P.L. 108-7, Division N, Sec. 216, stated: "Limitation.—Section 1241(a)(3) of the Food Security Act of 1985 (16 U.S.C. 3841(a)(3)) is amended by inserting before the period at the end the following: ', using not more than $3,773,000,000 for the period of fiscal years 2003 (continued...)

The next year, the FY2004 appropriations bill (P.L. 108-199) eliminated the cap that had been placed on the program in FY2003. This restored CSP's full funding.[26] However, because appropriators have responsibility for only the single year of the appropriation, and because the former limitation on CSP was estimated to have budget effects only after 2007, only the one-year cost of the restoration (which was $0 in FY2004) was charged to the appropriation. But the effect was to increase the 10-year baseline projection by the $3.1 billion former offset.

Later in 2004, the Emergency Supplemental Appropriations for Hurricane Disasters Assistance Act of 2005 (P.L. 108-324, Division B)—providing disaster assistance for crop and livestock growers—placed another cap on CSP that offset $2.9 billion of additional disaster assistance.[27]

In FY2005, CSP was one of 12 agricultural programs reduced by authorizers to meet budget reconciliation directives (P.L. 109-171, Sec. 1202). Its $649 million reduction was the largest reduction among the four conservation programs that were affected by reconciliation, and the second-largest among the entire group (**Table 2**).

Finally, each of the FY2004-FY2007 annual agriculture appropriations bills used CHIMPS to reduce the annual amount available for CSP.[28] These reductions ranged from $12 million in FY2004 to $115 million in FY2007 (**Table 1**).

The Conservation Security Program was terminated in the 2008 farm bill (P.L. 110-246, Sec. 2301) and replaced by the Conservation Stewardship Program. Presently, funding for the new CSP has not been reduced by appropriators or authorizers.

Concluding Thoughts

The tension between agriculture appropriations and authorizing committees over which committee is responsible for bringing final spending recommendations to the floor for certain mandatory agricultural programs (such as conservation) is not likely to wane. Nonetheless, it is Congress as a whole that makes the final decision by either endorsing or changing a committee's recommendations on the floor.

(...continued)

through 2013'." Thus, the difference between the $6.9 billion baseline projection and the $3.8 billion limitation is the $3.1 billion offset, all of which CBO expected to occur after 2007 (CBO, "Direct Spending Effects of the Consolidated Appropriations Resolution, 2003," p. 7, at http://www.cbo.gov/ftpdocs/41xx/doc4118/omnibusnus.pdf).

[26] CSP's funding was restored in the Consolidated Appropriations Act of 2004 (P.L. 108-199, Division H, Sec. 101), which stated, "Section 1241(a)(3) of the Food Security Act of 1985 (16 U.S.C. 3841(a)(3)) is amended by striking ', using' and all that follows through '2013'."

[27] In the summer of 2004, CBO's baseline projection for the cost of CSP was $8.9 billion over 10 years. The limitation in P.L. 108-324, Division B, Sec. 101(e), stated: "Offset.—Section 1241(a)(3) of the Food Security Act of 1985 (16 U.S.C. 3841(a)(3)) is amended by inserting before the period at the end the following: ', using not more than $6,037,000,000 for the period of fiscal years 2005 through 2014'." The difference between the $8.9 billion baseline projection and the $6 billion limitation is the $2.9 billion offset.

[28] Consolidated Appropriations Act, 2004 (P.L. 108-199, Sec. 752); Consolidated Appropriations Act of 2005 (P.L. 108-447, Sec. 749); Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2006 (P.L. 109-97, Sec. 741); and Revised Continuing Resolution of 2007 (P.L. 110-5, Sec. 104, which applied the same limitations for FY2007 as were in the FY2006 appropriation).

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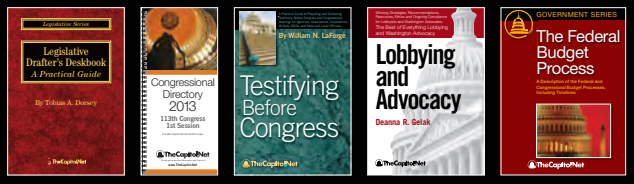

Appropriators assert that many of these relatively new programs, like most other funding decisions, should rest with them and be discretionary in the annual appropriations process. Authorizers contend that a consistent funding stream is preferable for some programs and want to use the mandatory funds at their discretion, especially since they assert appropriators have not always funded the authorizers' priorities adequately.

Beyond the jurisdictional tension, the budgetary effects of CHIMPS and other budget reductions are not always straightforward. For example,

- A multiyear total of CHIMPS by appropriators can exceed the mandatory funds made available for the program in the authorizing legislation.
- With enough foresight, CHIMPS can reduce the discretionary budget allocation that is needed for an appropriations subcommittee to fund its programs. A lower discretionary allocation to one subcommittee that uses CHIMPS potentially allows other subcommittees to receive a higher allocation.
- Reductions in mandatory programs by authorizing committees can affect future farm bill baselines.
- The Administration can take actions with mandatory programs that affect baselines, and this can put it at odds with Congress not only over policy implementation but also over the budget.

These types of funding issues are increasingly important in an era of budget deficits and the potential for budget reconciliation. Because of the federal budget deficit, many people argue that the next farm bill is very unlikely to receive additional funds from outside the Agriculture Committees' jurisdiction to increase program spending. Thus, preserving the existing baseline is a high priority for many in Congress and affiliated agricultural, conservation, and rural development interest groups in order to maximize the resources available to write a new farm bill.

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