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The Farm Bill and the Budget: What You Need to Know

The Farm Bill¹, which sets policies for most of the nation’s agriculture programs, is due for reauthorization in 2018. The sweeping legislation encompasses multiple activities, including the growing of food and fiber, natural resource protection and conservation, economic development in rural communities, bio-based energy programs, and nutrition programs. By far its largest component is nutrition assistance, which makes up three-quarters of Farm Bill spending.

The Budget Resolution Sets the Parameters for Farm Bill Spending

The annual budget resolution lays out Congress’ fiscal plan for the next ten years. The assumptions made in the budget resolution reveal Congress’ priorities for the Farm Bill – and other spending – and set limitations on how much the Agriculture Committee can spend on mandatory programs in its jurisdiction.² The Farm Bill also includes authorizations for some discretionary programs. The Appropriations Committee determines spending levels for those programs; this document focuses on the mandatory portions of the Farm Bill.

The budget resolution text shows spending divided by function or major purpose. Because of the diversity of topics covered by the Farm Bill, it includes spending in a number of functions, including:

- Function 270, Energy – biomass research and development
- Function 300, Natural Resources – conservation, extension services, research
- Function 350, Agriculture – income and price support programs, crop insurance, marketing programs, education, research

<u>Function</u>	<u>2018</u>	<u>2018- 2027</u>
Income Security	68	679
Agriculture	15	137
Natural Resources	5	60
Other	*	1
Total	88	876

*Less than \$500 million.

¹ “Farm Bill” is the informal name for this legislation. The most recently enacted Farm Bill is the Agricultural Act of 2014 (P.L. 113-79).

² Mandatory spending is determined by eligibility criteria established by law. Farm Bill spending makes up the vast majority of mandatory spending under the Agriculture Committee’s purview. Note that a number of programs in the Farm Bill are “appropriated entitlements” meaning that the Appropriations Committee needs to provide cash to make payments that are already required by authorizing statute. The budget resolution process still tasks the Agriculture Committee with reauthorization and any changes assumed for these programs.

- Function 450, Community and Regional Development – rural development, water and waste water loans and grants, bioenergy programs
- Function 600, Income Security – nutrition assistance programs

In June, the Congressional Budget Office (CBO) projected that in 2018, Farm Bill spending will total nearly \$90 billion. Of that amount, \$68 billion (76 percent) will be for the Supplemental Nutrition Assistance Program (SNAP), which is included in Function 600.

The spending allocation for each Committee is generally provided in the report that accompanies the budget resolution. Since there was no report for the adopted 2018 budget resolution, it allowed the Chairman of the Budget Committee to file allocations to reflect its policies. That allocation called for the House Agriculture Committee to reduce spending in its jurisdiction by about \$200 billion over ten years. During the markup, Republican staff indicated that \$154 billion of that amount was assumed to be reductions in the SNAP program. There are only two ways to reduce SNAP by this magnitude: reduce benefit amounts or reduce the number of people getting benefits. Achieving cuts of this size would be extremely harmful to the vulnerable families that depend on SNAP.

Most Farm Bill Spending Helps Low-Income Families Put Food on the Table

SNAP, the largest program in the Farm Bill, safeguards Americans from food insecurity, ensuring that millions of families do not go hungry each year. Major cuts to the Farm Bill would directly impact these families who need the SNAP program to put food on their tables. In 2016, SNAP prevented hunger for 44 million individuals, including nearly 20 million children, 5 million individuals over the age of 60, and nearly 4 million adults with disabilities. Many SNAP families with able-bodied adults are in the workforce and use SNAP to supplement low-wage jobs. SNAP kept more than 3.5 million people, including more than 1.5 million children, out of poverty in 2016.

The program successfully responds to economic changes, with participation and expenditures automatically rising during times of economic crisis, before falling during the ensuing recovery. SNAP also assists families struck by disasters, such as the recent hurricanes. The number of people on SNAP is currently on the decline – dropping from a high of more than 47 million in 2013 to 44 million people today – and is projected to continue falling through the next decade. As a result, total spending for SNAP is expected to remain roughly constant even as food prices rise.

Not only is SNAP highly effective at reducing food insecurity in the near term, SNAP's long-term benefits are particularly wide-ranging for those who receive food assistance as children. These benefits include improvement in short-term health and academic performance, as well as

better long-term health outcomes, advanced educational achievement, and better economic self-sufficiency.

Recent Republican proposals would fundamentally alter SNAP's funding structure, using the guise of "state flexibility" to essentially turn SNAP into a block grant that will provide insufficient funding to cover all eligible individuals. This would require cash-strapped states to either fill in the gap or take away food assistance from millions of working families, children, and seniors. Turning SNAP into a block grant would eliminate the program's ability to respond immediately and effectively during economic downturns, thereby limiting the ability of families in need to access nutrition assistance when facing hard economic times.

Other Components Provide a Safety Net for Farmers and Protect Natural Resources

The Farm Bill has a significant impact on how American farmers and ranchers produce food and protect resources. Farming is an inherently risky enterprise, subject to local weather conditions, varying crop yields, fluctuating prices for inputs (fuel, fertilizer, seed) and harvested crops, plant disease and insect patterns, domestic and worldwide market forces, and international trade agreements. Farm Bill programs reduce the risk for producers, to ensure farming remains a sustainable enterprise.

The most recent Farm Bill – enacted in 2014 – created new commodity programs that make payments to farmers based on actual prices or average farm revenue, with payments made when prices or revenues drop below a specified level. Participants in these programs are subject to eligibility requirements and payment limits; for example, producers must be actively engaged in farming, cannot earn more than \$900,000, and cannot receive more than \$125,000 from farm programs. The commodity programs work in conjunction with the crop insurance program, which provides subsidies for farmers to use toward purchase of insurance for yield or revenue losses, to provide a farm safety net. Other programs within the Farm Bill bolster farmers and rural communities while supporting the nation's food supply. Examples include marketing assistance loans and disaster assistance programs, the dairy program, and provisions to promote specialty crops and organic production.

Conservation programs are also a key part of the Farm Bill. Some of these programs are aimed at keeping private land in production while protecting natural resources. Others seek to retire land from agricultural production, on a temporary or permanent basis. These programs can preserve wildlife habitat, reduce erosion and runoff, increase the sustainability of working lands, improve soil health and water quality, conserve and safeguard water resources, and protect environmentally sensitive areas.